WEDNESDAY MARCH 31 1999

Inside Track, Page 14



Germany

Stuck with the world's most expensive workers Martin Wolf, Page 16

Alusuisse-Viag Can a \$21.5bn deaf founder on a technicality?

Special reports Portuguese Banking bages 11-13; Tanzania separate section

#### WORLD NEWS

#### France asks US court to dismiss Holocaust lawsuits

France asked a US court to dismiss lawsuits against French banks by representatives of Jew-ish victims of the Holocaust. In an unusual move, the French forelon affairs ministry intervened in the disputes. Europe, Page 3

Japan's jobless rate jumps Japan's jobless rate unexpectedly jumped last month to a high of 4.6 per cent and the government admitted that corporate restructuring would continue to push up unemployment. Page 18; See Lex: Editorial Comment, Page 17

Eli growth forecasts downgraded The European Commission revised down its forecasts for European Union growth this year but predicted that the slowdown would be short. Europe, Page 3

France Telecom workers in protest More than 1,000 France Telecom workers demonstrated in Paris as unions representing the former monopoly operator's 143,000 staff called a one-day strike. Europe, Page 3

US city may sue cigarette makers The city of Philadelphia is examining the possibility of suing cigarette manufacturers for the cost of fighting fires caused by discarded cigarettes. US, Page 9

Indonesia 'defaults on debt' Indonesia has for the first time defaulted on its sovereign debt to the private sector, according to Standard & Poor's, the credit rating agency. Asia-Pacific,

Mexican banks set to plead guilty Two of Mexico's leading banks were set to plead guilty before a US federal court judge in Los Angeles to money laundering charges stemming from the biggest investigation into the processing of drug profits in US history. Latin America, Page 9

Anwar's wife to form new party The wife of Anwar Ibrahim, Malaysia's sacked, beaten and jailed deputy prime minister, said she will form an opposition party to challenge the Umno party that has ruled since independence in 1957. Asia-Pacific, Page 6

US aid 'at risk' over Khmer Rouge Mitch McConnell, the influential US senator, warned Cambodia that US aid would be at risk if a trial of Khmer Rouge leaders did not measure up to international standards. Asia-Pacific, Page 6

Warning over child labour sanctions The use of trade sanctions against goods produced by child labour in the developing world could be counter-productive and actually increase the hours

worked by children, according to

new research. Trade, Page 4

HK court rejects mainlanders' plea A Hong Kong lower court rejected the application of 17 mainlanders who had sought to stay in the territory while seeking permanent residence status. Asia-Pacific, Page 6

Thailand boosts public spending Thailand announced a Bt130bn (\$3.5bn) package of tax cuts and government spending aimed at calming an increasingly turbulent political environment. Asia-Pacific, Page 6

#### **BUSINESS NEWS**

#### Three Japanese companies collapse with \$10bn debts

Apollo Leasing, Asahi Urban Development and Fuji Building filed for bankruptcy with collective liabilities of more than Y1,200bn (\$10bn) as the shakeout in Japan's financial and real 19; Lex, Page 18; Tokal for-gives Y220bn, Page 24

US Federal Reserve left key US interest rates unchanged, opting for a steady course with the economy growing strongly as it enters its ninth year of expansion. Consumer confidence.

Enterprise Oil and Lasmo, the UK's two biggest independent oil explorers, called off protracted merger talks to create a British "super-independent" worth more than £3bn (\$5bn).

AT&T, US telecoms operator, is negotiating with Chinese authorities to become the first foreign carrier to build and operate a telecoms network in China. Inter

Fiat, Italy's largest manufacturing group, announced two acquisitions to establish itself as world leader in automated production systems for the automotive industry and to consolidate its control of Toro insurance company. International, Page 21

Imperial Chemical Industries of the UK is expected to retain a minority stake in the businesses it is planning to seil to Huntsman of the US. Companies and

Hyundal and Daewoo, of South Korea, are to submit new restructuring plans to creditor banks today after the government criticised their use of doubtful accounting methods to reduce debts. Companies and

All Nippon Airways, Japan's that losses this year would be more than double earlier fore-

Asia-Pacific, Page 24

BMW gave a cautious outlook for 1999, mostly due to the expected falling global demand for passenger cars and continued difficulties at its UK Rover unit. International, Page 21

Bank Hapoalim, Israel's biggest bank, said a decline in doubtful debt provisions during 1998 helped it lift net income 3 per cent during 1998 despite an eco-

Lex on Viag-Akusuisse Timely death of

estate sectors gathered pace. Companies and Markets, Page

Page 25

national trade, Page 4; EU go-ahead for BT link, Page 25

Endesa, Spanish utilities group, won an 18-month battle to take control of Latin America's largest electricity holding company when shareholders in Enersis of Chile voted overwhelmingly to change the group's shareholding rules. Companies and Markets, Page 19

Markets, Page 19

Markets, Page 19

second biggest airline, warned

the deal from hell

WORLD MARKETS

NORTH SEA OR. (Argus) Brent Dated	(14.44)	Y129.516 SF11.5974	(128.293) (1,5938)
Japan: 10 yr JGB101.817	(101.887)	2	(0.6621)
Germany: 10 yr Bund97.76	0(97.78)	\$1.0762	(1.0717)
Euro Euribor2.981	(2.985)	EURO (London)	
UK: 10 yr Gilk110.34	(110.37)	Telayo Close	1 120,00
UK: 3-mo Interbank57.%	(534%)		Y 120.03
OTHER RATES		Y	(119.71)
Yield		SFr1.4843	(1.4871)
Long Bond9433		€0.9292	(0.9331)
3-meth Trees Bills: Yld4.50%		£1.6137	(1.6186)
Factoral Funds		Londons	
US Lunchtime RATES		Y	
NBklosi	(-149.72)	SF1	
FTSE Eurotop 300 1250.71	( <del>-</del> 8.08)	€0.8323	
FTSE 1008284.1	(+11.2)	£1.6118	
DAX4856.84	(-20.08)	New York: Lunchtime	
CAC4D	(-11.67)	DOLLAR	
Europe and Fer East	(1011)	5279.85	<b>2</b> 81.15
NASDAO Composite2502.95	À10.11)	Londora	-
Dow Jones Ind Av9961.27	(-45.51)	\$290.3	(280.3)
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STOCK MARKET INDICES		GOLD .	

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# Nato rejects Kosovo offer by Milosevic as inadequate

By Guy Diamore in Belgrade, Haig Simonian in Bonn and David Buchan in London

President Slobodan Milosevic last night offered to pull back some of his forces from Kosovo if Nato stopped its bombing campaign.

This first crack in the Yugoslav leader's defiance came after a six-hour mediation attempt in Belgrade by Yevgeny Primakov, the Russian prime minister.

Shortly after Mr Primakov left Belgrade for Bonn, air raid sirens sounded again as Nato warplanes embarked on a seventh night of strikes on Serbian forces in Kosovo. Nato, meanwhile, accused the Serbs of launching "a great terror" against Albanian Kosovars and forcing nearly 100,000 to flee.

Mr Milosevic's peace overture, reported on Belgrade television, met with considerable scepticism in Nato capitals.

The Yugoslav president said refugees were welcome to return but German officials noted that Yugoslav border guards were making that impossible by removing their passports and dentity cards as they left the country. "We could not accept Milosevic

simply calling a ceasefire, leaving him in control of the territory he has cleansed of the Kosovo Albanians," Robin Cook, Britain's for-eign secretary, said earlier yes-tions, provided Nato called off its of military and paramilitary Page 16



terday. He stressed that any attacks. But Gerhard Schröder, settlement would have to involve the return of refugees with inter-

the German chancellor, said after his meeting with the Russian prime minister: "What Mr Prima-Arriving in Bonn, Mr Primakov kov offered is no basis for a politclaimed that Mr Milosevic was ical solution, at least not in the ready to discuss "all issues" in form it was offered to me. There

Nations refugee agency said some 94,000 ethnic Albanians had been forced out of the country since Nato started bombing Yugoslavia last Wednesday and Serb security forces stepped up their assault.

The Nato spokesman likened Serb tactics to what happened in Cambodia in the 1970s, when Pol Pot's Khmer Rouge virtually emptied Phnom Penh of its

inhabitants. He cited reports claiming that Pec. Kosovo's second city, had been almost destroyed, that people in the southwestern city of Prizren were being forced to march to Albania, and that in a wide area between the two cites the Serbs had launched a major assault to drive ethnic Albanians out of the country.

For the first time on Monday, the US sent low-flying A-10 tankbuster planes into action. Nato officials claimed yesterday they had hit some Serb tanks.

Mr Milosevic's move followed a claim by Alain Richard, the French defence minister, that more than 50 per cent of Yugoslavia's air defences had been destroyed, as well as a similar proportion of its MiG

Yugoslavia accused of terror,

# Drinks groups in €1.2bn global link

By John Willman Consumer Industries Editor

Two European spirits companies yesterday joined one of their largest US rivals to announce a global distribution alliance that

will be in the top five drinks groups in most of the world's The new venture brings together Highland Distillers of the UK, producer of Famous

Grouse scotch whisky, and Rémy-Cointreau, the French cognac and champagne house, with Jim Beam Brands Worldwide, the US company that makes the bestselling Jim Beam bourbon. It will distribute all three companies' products outside the US while leaving brand management to the individual partners.

The alliance is the first signifi-

global drinks industry since together are the guys with no the UK while Jim Beam, a divi-Grand Metropolitan and Guin-ness merged at the end of 1997 to Michael Bleakley, drinks analyst company based in Connecticut, form Diageo, the world's largest at CSFB. "For the mid-tier playspirits group.

Discussions between other The combined portfolio will All three partners said the ven-large companies such as the UK's handle 16m nine-litre cases a ture would be earnings enhancethe large drinks groups still dom- whisky and several vodkas. inated by founding families.

The venture, so far unnamed, brings together three partners that have brands that are largely complementary, with the prospect of cost-savings on distribuportfolio containing a wider range of products. "This shows

cant move to consolidate the the guys who are going to get network will provide the core for ers, it's a very good deal."

Allied Domecq and Seagram of year, with sales worth €1.2bn ing in its first full year. Canada have produced no further (\$1.3bn). In addition to Famous mergers in the 15 months since Grouse and Jim Beam, it will Diageo was created. Talks are have Rémy-Martin cognac, Coinbelieved to have foundered on treau liqueur, Piper-Heidsieck issues of control, with most of champagne. Macallan malt

The partners will put their distribution operations into the venture, which will be run by independent management based in Amsterdam. Rémy's organisation, strong in continental tion and higher sales through a Europe and Asia, will form the basis for the new company in most of the world. Highland's

will add its operations in Canada and Australia.

The three companies

control over their brands and the right to veto the addition of rival products - a factor that could prove attractive to other potential partners in an industry dominated by family companies.

Bruno Mouclier, Rémy's chief financial officer, said a fourth partner was likely to be recruited once the venture is operating, which is expected to happen in the summer.

#### Disarray at WTO as members try to select forces from Kosovo." The United new head

Efforts to decide on a new head of the World Trade Organisation were in disarray last night after diplomats in Geneva said several members opposed the appointment of Supachai Panitchpakdi of Thailand.

Diplomats said the two ambassadors in charge of the selection process were making an 11thhour attempt to forge a consen sus around Mike Moore, a former

New Zealand prime minister. Some officials doubted that the WTO's 134 member states, which must reach a decision by today. could agree by this evening's deadline and said there was a strong possibility of deadlock.

The confusion was compounded by signs that an agreement by 14 of the European Union's 15 members to support Mr Supachai, announced on Monday by Germany, was unravelling amid recriminations among EU governments.

Sweden, said to be the lone dis senter, insisted that the agree ment, announced at the end of a meeting of EU and Asian foreign ministers in Berlin, was not a binding decision and that several other EU members had indicated they would continue to back Mr Moore for the job.

France also denied yesterday that it had a favoured candidate. The French authorities were said to resent what they considered an unjustified attempt by the European Commission and the German EU presidency to railroad member governments into unanimity at the Berlin meeting.

Ambassadors to the WTO from EU member states ended a meeting in Brussels last night with no agreed position on a candidate for the WTO post. They were due

Trade diplomats said the two WTO ambassadors in charge of the selection system told governments yesterday that they had concluded that no consensus could be formed in favour of Mr Supachai because of objections by "more than one member". The objectors were not named, though some trade diplomats suggested they might include the US and France.

Hope for China deal, Page 4

### Moscow seeks \$75bn **Soviet debt write-off**

Andrew Jack in Moscow

Russia will ask its sovereign and programme by April 20. Subsecommercial creditors to write off 75 per cent of its \$100hn Sovietera debt when it opens formal restructuring talks with them Clubs of creditors. later this year, Yuri Maslyukov, first deputy prime minister in charge of the economy, said yes-

"We are in a condition to pay the debts of Russia," he said. "But we are not in a position fully to pay the debts of the Soviet Union. We would like them to forgive 75 per cent of the debt of the Soviet Union." Mr Maslyukov's comments

came a day after Moscow reached outline agreement with the International Monetary Fund about a fresh financial support package Any significant write-off of Russia's Soviet-era debt could

spark controversy. The US administration is believed to have floated the idea of partial forgiveness but this has been fiercely opposed by Germany, which owns about half of the \$60bn of Soviet sovereign debt. "A straight forgiveness of 75 per cent of the debt looks pretty official. "The Germans would only agree to it over their dead bodies." Mr Maslyukov predicted

could resolve its outstanding differences with the IMF over a new quent IMF board approval would then permit restructuring talks with both the Paris and London

The former Communist MP suggested Moscow would be flexible in its approach to restructuring its Soviet debt for a second time. "I think the figure might not be 75 per cent - it might be a little less," he said. "But all the economists of the IMF, the World Bank, and the experts of the Paris Club understand we cannot [pay all the Soviet debt] no mat ter what they may want of us."

Mr Maslyukov added that the Russian government needed to raise Rbs10bn of additional reve-

was serious about strengthening its public finances. He confirmed that Moscow would defer cuts in value added tax and propose five new tax laws and five legislative amendments to the Duma, the lower house of parliament, to satisfy the IMF. "I am sure that this work will not be easy but I am absolutely sure . . . the Duma will

nue to prove to the IMF that it

Russian banks face lawsuits, Page 3 Editorial Comment, Page 17

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# Yugoslavia accused of 'Great Terror'

New Buckley in Brussels and Stefan Wagstyl in London

Nato yesterday accused Yugoslavia of conducting a "modern day Great Terror" in Kosovo, as Serb forces continued their scorched earth campaign and tens of thousands more people fled the strife-torn province.

The Nato claim was backed by tough statements from the United Nations High Commissioner for Refugees (UNHCR), which accused Serb forces of an organised "campaign of ethnic cleansing" in Kosovo. Jamie Shea. Nato spokes-

**RUSSIAN POSITION** 

ovo. "I think we could talk about a modern-day Great Terror going on in Kosovo at the moment.

The UNHCR appealed for aid for refugees pouring across mountain passes into neighbouring countries. It said 94,000 people had left Kosovo since Nato started bombing on March 24 and many more were on their way, mainly to Albania.

More than 500,000 people have left their homes in the last year, including 200,000 in Kosovo, said the UNHCR. About 100,000 of those who had fied Kosovo

side Kosovo.

Kris Jankowski, UNHCR spokesman, said: "If hundreds of thousands more are displaced, we're going to have an exodus of perhaps one fourth...of Kosovo's population. We do believe that there is a campaign of ethnic cleansing, quite well organised, with people being pushed out of their homes, and the border being simultaneously opened so they can leave."

Mr Shea said Nato had reports that Pec, a city of 100,000 people, had been "almost totally destroyed". There were also reports of

Mr Shea claimed Serb

forces were forcing people from their homes in an organised way, providing der post near Kukes, about evidence that the plans had been laid long before Nato bombing started. Nato is keen to dismiss suggestions that the bombing provoked the latest wave of terror against the Kosovo Alba-

northern Albania and Kosovo, refugees gave harrowing accounts of murder. robbery and humiliation by Serb gunmen.

On the border between

"Serbian paramilitaries are killing everybody who line at midday yesterday

disaster of enormous propor- Europe, leaving about "thousands of people" forced refuses to leave their shooting in the air and tell-tions" was unfolding in Kos 200,000 in the Balkans, out to leave the town of Prizren. homes," Adem Basha, a man ing everybody to sit face from Kosovo's second city of down, hands on their heads. "They shot over their Pec. said after crossing into Albania at the Morina borheads, then forced everybody to stand up, raise their 250km north of Tirana.

"There are lots of unburied

people in Pec," he told Reu-

ters. "The Serbs have settled

in the best houses of Pec,

which is now 'ethnically

Another refugee, Bardhyl

Kabashi, said 15,000 dis-

placed ethnic Albanians

from several towns and vil-

lages had sought refuge on a

hill near the village of Cel-line in Kosovo. "The Serbs

came to the hill above Cel-

cleansed'. Tell the world!"

hands in the air to make the Serbian sign with three fingers, thumb, middle finger and index finger, and chant 'Serbia, Serbia'." He said he saw one man killed for refusing to chant while three other men were pulled away and shot from behind.

However, refugees arriving in Macedonia painted a somewhat different picture. with most saying they had left of their own accord in fear of the Serbs, rather than

#### **NEWS DIGEST**

GERMAN PACIFISM

### Green party divided over military participation

Germany's Green party was showing signs of strain yesterday as it attempted to come to terms with Germany's participation in the Nato air strikes in Yugoslavia.

Helmut Lippelt, the party's foreign policy spokesman, indicated the German parliament would have to face approving ground troops if Nato decided this was required to stop etinic cleansing in Kosovo. "We will not be able to resist the pressure much longer if Kosovo keeps burning, Mr Lippett told German radio. "Parliament must be ready

in the face of this inferno." But opinion is deeply divided within the traditionally pacifist party, which shares power with Chancellor Gerhard Schröder's Social Democrats in Bonn. Antje Radcke, coleader of the party, yesterday called on Nato to stop its military strikes and return to the negotiating table. Ms Radcke said the Greens could not support an escalation of hostilities and questioned whether air strikes had prevented civil rights abuses or the refugee crisis in the region. She said the Greens would remain part of the govemment so long as they believed they could influence policy to bring the conflict to an end. However, while she acknowledged the Greens faced a faced a dilemma, she said she did not fear a split. Haig Simonian, Berlin

# With the truth unverifiable, propaganda triumphs

#### Yeltsin Nato is exploiting calls for the jingoism of the western media while peaceful Belgrade relies on the state-controlled broadcaster, writes solution **Guy Dinmore**

By Andrew Jack in Moscow

Boris Yeltsin, the Russian president, yesterday definitively ruled out any Russian military intervention in the conflict in Yugoslavia.

Speaking in his annual state of the nation address to both houses of parliament, Mr Yeltsin began by criticising the Nato air strikes in Yugoslavia and called for a swift and peaceful resolution to the crisis there.

'More and more political leaders understand that in such situations, brute force does not achieve anything." he said during the 20-minute speech. "Russia has made its choice. It will not allow itself to be drawn into a military conflict." He said it had been his decision to send Yevgeny Primakov, prime minister, to negotiate with Slobodan Milosevic. Yugoslav president.

Mr Yeltsin went on to place emphasis on the need for solutions to domestic problems as the way to improve Russia's weight abroad. He called for "order in government, accord in society, stability in the economy and the social sphere". He stressed the need to give top priority to the "economic competitiveness of Russia", and to create a country in which people "should be confident of the power of law and the stability of economic rules". He called for measures to revive economic initiative and the decentralisation of power to

the country's regions. Mr Yeltsin also criticised the Communist-dominated parliament for failing to adopt the previous government's economic programme last summer ahead of the August financial crisis, "We have become stuck half-way in our transition from the planned and command economy to a normal market economy. We've created a treakish model," he said.

He also urged a clamp down on electoral corruption, and called for "the appearance of new personalities in the Russian political corps" through general elections, which he said would be "clean and honest".

President Yeltsin, who has suffered from bouts of ill health in the last few months, spoke slowly but firmly and appeared in reasonable health, wearing the glasses he has adopted in recent weeks

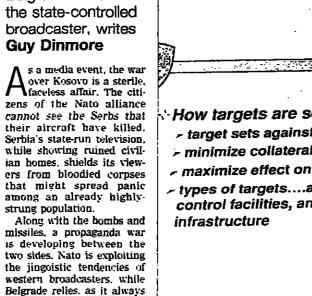
FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungenplatz, 3, 60318 Frankjurt am Mann, Germany Telephone ++49
69 156 850, Fax ++49 69 5th 4481, Repretented in Frankfart by Colin A, Kennard
as Geschäftsführer and in London by
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Responsible for Advertising content: Colin A. Kennard, Printer Hurrivet International Verlap-gesellschaft mbH, Adamral-Rosen-fahl-Strasse 2a, 63263 Neu Eenburg ISSN 0174-7363. Responsible Editor Richard Lambert, do The Financial Times Limited, Number, One Southment Parks. umber One Southwark Bridge London

FRANCE: Publishing Director P. Maraviglia 42 Rue La Boetie, 75008 PARIS Telephone (01) 5376 \$254, Fax (01) 5376 3253. Printer S.A. Nord Eclair, 15/21 Rue de Care, F-59100 Roubax Colet I. Editor: Richard Lambert 1SSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN: Responsible Publisher Bradley P Johnson Telephone +46 8 791 2345 Printer Ab Kvalbiddinass France

Telephone +46 8 791 2345 Printer Als Kvälhidningen Expressen. PO Box 6017. S-500 to. Johkoping. S The Financial Times Lumited [999]. Editor Richard Lambert. do The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL.



Radio. Television Serbia Few Serhs are aware of the scale of the refugee crisis in Kosovo province because RTS shows no images. In occasional references to displaced ethnic Albanians, it explains that they are flee-

ing Nato bombing raids.

has, on the tightly controlled

Both sides are able to exploit the absence of foreign reporters in Kosovo. Perhaps only one is still there after most fled or were expelled last week when the Nato bombings began. Government leaders, such as Britain's Tony Blair, can talk freely in parliament about the "massacres" of ethnic Albanians in Kosovo. as recounted by refugees. confirm or deny them independently. Similarly, Nato corpses were displayed. claimed on Monday that day, although one close colleague of Mr Agani in Pristina, Kosovo's capital, told the FT he had seen the respected ethnic Albanian leader alive and well on Monday morning.

In Beigrade, the 20 or so foreign reporters who ignored an expulsion order issued by an ultra-nationalist information minister last week have been barred from visiting bomb sites or denied information from hospitals when trying to verify Serbian claims that many civilians have been killed.

RTS has shown plenty of heart-wrenching images of crying women and children outside the ruins of their homes but no independent TV, for example, mentioned Paris this month that the

By Alan Beattle and

has been limited.

behind the fall.

Edward Luce to London

lysts have said. Apart from

the countries bordering the

region which might have to

bear the consequences of

fleeing refugees, the impact

The euro fell at the end of

day. But it recovered much

of the lost ground yesterday.

Data showing a continued

weakening in euro-zone eco-

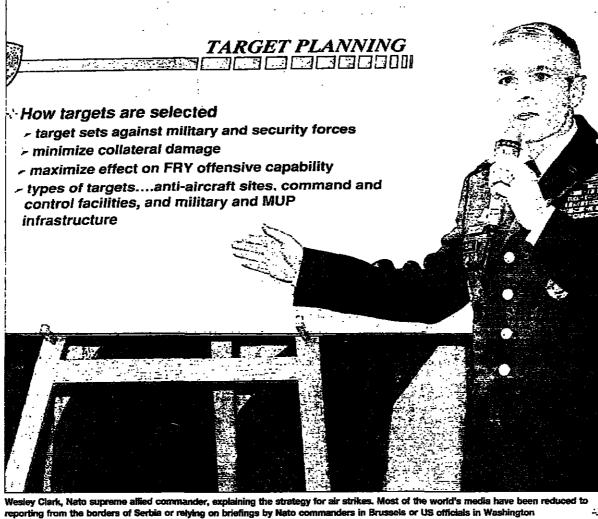
nomic performance, together

with a stream of concerned

many as the main causes

"As far as the euro goes,

excuse to add to the general



claimed on Tuesday that many people had been killed the night before, but no

Similarly, a Serb general Fehmi Agani was among five claimed on Tuesday that prominent ethnic Albanians Serbia's armed forces had executed by Serbs on Sun- downed seven Nato aircraft. and three helicopters. Many Serbs believe this, especially after the confirmed shooting down on Saturday of a US F-117 Nighthawk "stealth bomber". although no evidence has been shown of other hits.

Most of the world's media have been reduced to reporting from the borders of Serbia or relying on briefings by Nato commanders in Brussels or US officials in Washington. The result may be an unjustifiably easy ride for Nato.

Distortion of important background by western broadcasters, whether intentional or not, has also helped Nato's cause. Britain's Sky

"Unless the conflict esca-

conflict on asset prices has tions, such as the Russians American debt," said James

been overstated, many ana- aiding Serbia, the direct McKay, head of research at

The financial markets

seem only to have singled

out individual countries

directly at risk from the con-

flict and marked assets down

drachma came under more

pressure this week. Hun-

with Serbia, has also seen

bers, have been seen by postponed the launch of a outflows as a result of Kos-

\$750m global bond in

Meanwhile, the price of

response to the bombing.

comments from European heavy sales of its currency.

Central Bank board mem- the forint, and last Friday

Kosovo is just a knee-jerk Bulgarian and Polish govern-

last week and again on Mon- accordingly. After holding flows did not show a large

impact is likely to be lim-

confirmation of this has the 1,400 international moni- autonomy deal offered by cide" touch a raw nerve. In been possible. Officials tors who were, it said, the west - and signed by the return. RTS routinely com-"expelled" from Kosovo and unable to verify what was because no one is able to in bombing raids in Pristina really going on. In fact, the in reality no table to return fiti daubed on western Organisation for Security to. and Co-operation in Europe. under pressure from the head of mission, William ordered its own monitors to leave. Their departure, say many of the unarmed observers privately, was a disastrous decision that propelled Kosovo towards fur-

ther violence. bombing campaign have also been muddied, by both heads of government and the western media. A common phrase heard on the lips of correspondents of CNN, the US network, is "forcing Yugoslav President Slobodan Milosevic to return to the negotiating table". Yet Madeleine Albright, US secretary of state, and Robin Cook, British foreign secretary, made it clear after the

breakdown of peace talks in

The effect of the Kosovo lates to disastrous propor- of eastern Europe to Latin predictions for the euro- fallen by six basis points

the Commonwealth Bank of

But even here the move-

large. Avinash Persaud.

global head of research at

State Street, said portfolio

money leaving countries like

Poland and Greece, but no

couple of months," he said.

evidence of acceleration in

"There is little supporting

The effect on the euro is

even less clear. Monday's

bearish mood on the cur- dropped by between four and increasingly despondent uncertain." said Alison which rose by 2% per cent

rency," said Brian Martin, six per cent since last Thurs- about economic prospects, Cottrell, chief international between 1965-68."

Asset prices suffer limited impact

Australia.

up well towards the end of stampede out of affected

last week, the Greek areas. "There has been

gary, which shares a border more so than for the past

OVO.

MARKET REACTION EURO RECOVERS GROUND AFTER 'KNEE-JERK' RESPONSE TO AIR STRIKES

Kosovo Albanians - was no longer negotiable. There was

Emotive language used by swastikas. both sides is remarkably similar, Bill Clinton, US Walker, IIS amhassador, president drew parallels between the "ethnic cleansing" committed by Serbs and the mass killings by Germany's Nazis in the second world war. George Robertson, British defence secretary, has accused the Ser-The stated aims of Nato's bian regime of waging "genocide", although as one US commentator has afar.

claimed, the death toll from a year of war in Kosovo around 2,000 or so from a population of 2m amounted to less than the murder rate in Washington DC in 1994.

For the Serbs, whose families were exterminated in their hundreds of thousands (the real figure is still hotly disputed by historians) in Nazi and Croatian death

"Investors are switching out terday revised down growth two-year US Treasury has

Expectations are now ris-

ing that the ECB will be

forced to cut interest rates at

their next meeting on April

ments of money are not 8. This by itself can easily man and French government

explain the weakness in the

euro, says Philippe d'Arvise-

Banque Nationale de Paris.

have been similarly subdued

in response to the Kosovo

bombing. However, investors

have switched money into

shorter-dated government

INSEE survey showed uid and is the best place to spending and hence

net, chief economist at the

Western bond markets

currency strategist at Bar- day, while the price of Latin and the European Commis- economist at PaineWebber

clays Capital in London. American debt has risen. sion's economic forecast yes- in London. The yield on the

ment dollar bonds have French manufacturers be when the market is long-term interest rates,

zone.

pares Mr Clinton with Hitler and the most common grafembassies in Belgrade are

RTS ignores all evidence presented over the past year of village burning carried out by Serbian security forces, claiming instead that the ethnic Albanians were torching their own homes, or even that fires were lit close to their farms to give a false impression of mass destruction when viewed by western television crews from

More subtle is the choice of Hollywood movies shown on Serbian channels this week: Wag the Dog, about an By Robert Graham in Paris American president who fabricates a war in Albania to detract attention from his personal problems; Apocalupse Now, a Vietnam epic exposing the brutality and contradictions of war: and yesterday, what else could it be but Charlie Chaplin's The

since the bombing started

while the yield on the 10-

year Treasury has risen by

several basis points. The

same pattern applies to Ger-

The US, a country with

greater experience of the

effects of a protracted land

war on financial markets.

has been more pessimistic.

The sharp dips in the euro

yesterday and on Monday

occurred just as the US trad-

ing session opened, after

bonds.

bonds of two or three years quiet morning trading in

at the expense of 10-year Europe. "The US knows that

government bonds. This is a war is expensive," said Stew-

standard response to uncer- art Newnham at Commerz-

tainty. "The shorter end of bank in London. "The Viet-

the yield curve is more liq- nam war drove up public

**JEWISH REACTION** 

#### Israel fails to condemn Serbia

Israel yesterday again fell short of directly criticising Serbia's offensive against Kosovo and instead, after growing public pressure, condemned "mass murder that is done by the Serbs or any other party". The less than explicit criticism of Serbia by either Benjamin Netanyahu, Israeli prime minister, or Ariel Sharon, foreign minister, has astonished a younger generation of Israeli diplomats as well as opposition parties, who said they were "more than disappointed" with the government's stance.

Government officials privately said Israel's reaction "was confused, caught up in history and ambiguous". They said one of the reasons for such hesitation in openly criticising Slobodan Milosevic, Yusoslav president, went back to the second world war, when Serbs saved many Jews while neighbouring Croatia killed some 30,000. "Maybe we still owe Serbia something," said an official.

Israeli officials cited another reason for not criticising Serbia, claiming that Iran and Islamic fundamentalists were involved in the conflict. Earlier this week, Mr Sharon told European Union ambassadors: "In this region (the Balkans), there are extreme Islamic groups. . . Hizbollah. . . mujahideen forces". Judy Dempsey, Jerusalem

#### MADRID DEBATE

#### Spain gives broad backing

Spain's partiament yesterday gave broad backing for Nato's bombardment of Yugoslavia, although the government said it had no plans for increasing Spanish participa-tion. Four F-18 combat jets and a tanker aircraft from Spain have taken part in the operation. José María Aznar, prime minister, pledged commitment to Nato, but warned there was no guarantee the intervention would succeed.

The government's regionalist allies voiced their support, rell, Socialist leader, said he had no enthusiasm for the campaign, which he called "a necessary evil". He also complained the government was acting "more like a subordinate than an ally", and berated it for taking so long to bring the issue to parliament.

The Kosovo crisis was discussed in a debate also dealing with the outcome of the European Union's Berlin summit. This, Mr Borrell said, was "mixing war with sunflowers". David White, Madrid

FRENCH CO-OPERATION FULL BACKING GIVEN

### Paris sets aside caution over Nato

France's long-standing wariness of co-operating with an American-dominated Nato has been set aside as its military play a full part Yugoslavia - at least temporarily.

The domestic sensitivity of French participation in the air bombardment has been underlined by the appearance on television of President Jacques Chirac four times since the onset of hostilities. Each time he has justified the resort to force against Slobodan Milosevic, the Yugoslav president.

Mr Chirac has also been careful to ensure co-ordination with Lionel Jospin, the Socialist prime minister, with whom he jousts on a number of other issues.

Both have argued that France - host of the abortive Rambouillet talks for a political solution in Kosovo was left no option by the obstructive tactics of Mr Milosevic but to endorse Nato plans for an attack. In a tele- US over the operations. vision address on Monday, Mr Chirac also sought to preinvolved in the offensive.

cal solution and have a dia- troops being killed in Boslogue when the Serb leader- nia.

ship and Mr Milosevic refuse This line has so far been

backed by the bulk of the political establishment on the left and right. Mr Jospin has told cabinet members in the airborne offensive in who question the use of force in the Balkans to avoid raising their doubts in public. As a result, the four Communist ministers have observed a discreet silence even though Robert Hue, the party leader, has openly attacked the military venture and backed protest demonstrations.

Also restraining himself has been Jean-Pierre Chevènement, the interior minister, who resigned eight years ago as defence minister in protest over French participation in the American-led "Desert Storm" campaign against Iraq.

The French media initially were far more critical of the military operation than the politicians - focusing on the lack of clear objectives behind the air strikes and the control exercised by the

Since the weekend, however, press criticism has pare the nation for the risks been more muted and opinion polls indicate reluctant Both the president and backing for the venture. A prime minister have made it poll for L'Express magazine clear they have not yesterday showed 58 per despaired of a diplomatic cent backed the sending of solution. "We prefer dia- ground troops if the air logue and peace with a politattacks failed to stop ethnic ical solution." Mr Jospin told cleansing in Kosovo. Such parliament yesterday. But support for ground action how can one achieve a politicomes despite 70 French

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THE STATE OF THE S \*\*

EUROPEAN COMMISSION SPRING FORECASTS THREE-PRONGED STRATEGY ON BOOSTING EU EMPLOYMENT

ERMAN PARTIES

court to dismiss lawsuits gest banks by merging the against French banks by representatives of Jewish victims of the Holocaust.

In an unusual move, the and Paribas. French foreign affairs minisconflict between French private sector companies and US-based individuals and sovereign interests". associations.

so-called "Amicus" - or have criticised the pace of "friend of the court" - brief. French efforts to identify asking a US federal court to dormant bank accounts and dismiss two class action safe deposit boxes. They are | was adopting too "political" suits by representatives - or also threatening to delay US | a role in its present state. heirs - of Jews whose assets regulatory approval of the were confiscated in Nazi- mergers until the banks occupied France during the second world war. It said US litigation linked to French senting 106 of its members events was "misguided and

Holocaust victims in New York dismissed the French government's intervention, sored working group. The One lawyer said: "They con- commission is to make tend that we are violating recommendations on the their sovereign immunity, nature and amount of combut we are not suing the pensation to Holocaust vicgovernment of France. We are suing individual banks due to be completed by the that do a lot of business in end of the year. the US and were operating in Vichy France at the tions, the most vocal of

The government's intersion between US-based Jewish associations and the the Association Française large US presence.

By Samer Iskandar in Paris and des Banques (AFB). It also comes a day after French comes a day after French regulators cleared plans to France yesterday asked a US - create one of the world's bigcountry's three largest listed banks - Banque Nationale de Paris, Société Générale

In its memorandum to a try intervened to defuse a US federal court, the government claims the litigation "directly affects France's

US associations represent-The ministry submitted a ing the Jewish community negotiate a settlement. Last week the AFB, repre-

active during the second world war, confirmed its Lawyers representing commitment to co-operating with the Matteoli commission, a government-spontims after an investigation

However, the US associawhich is the World Jewish Congress, are increasing vention follows growing ten- pressure on French banks to negotiate a settlement. Two class action suits have been French banking community, filed since December 1997 united under its trade body, against French banks with a

### 'Caretakers' advise how to improve economies

The European Commission decided yesterday that the "caretaker" duties imposed by the mass resignation of commissioners this month should not prevent it from telling European Union member states how to improve their economic policies and performance.

In its recommendation for broad economic policy guidelines to be adopted at the next EU summit in June in said it was more important budgetary targets". to develop the key reference text for co-ordinating ecoto worry about whether it

Alongside a broad, three-

specific advice to individual

The Commission called on Italy, France, Germany and the Netherlands to pay particular attention to meeting the annual budgetary targets programmes because of a risk of slippage. Germany, Italy, Austria, the Netherlands and Portugal were urged to be more ambitious Cologne, the Commission and undate their "minimal

Belgium, Italy and Greece were advised to maintain nomic policies among the high primary surpluses, sup-EU's 15 member states than ported by privatisation policies, because of their high levels of public debt as a share of gross domestic prod-

boost employment, the Com- Portugal and Pinland wer mission has strengthened its urged to review the financial sustainability of their penin the face of ageing popula-tions. The Commission told Greece, Spain and Italy to make efforts to reverse the decline in public investment while Greece. Spain, Ireland and the UK were urged to do

more to strengthen research and development spending. For the second strand of demanded economic reforms to improve the operation of told to make further proggoods, services and capital markets. Its guidelines urged open up public procurement; France, Ireland, Luxembourg. Austria and Portugal

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and telecommunications; Spain, Greece, France, Italy, and Germany, Spain, France, Italy, Luxembourg and Portugal to control strictly state aids. Denmark, Germany. Greece and Austria were ress with tax reform.

The Commission also Denmark, Greece, Italy, Ausunderlined the importance of tria, Portugal and Finland to deregulation, urging Germany, Denmark, the Netherlands, Austria, Portugal and Sweden to relax restrictions to liberalise public utilities on retailers. Germany, tria, Finland, Sweden and

the Netherlands and Austria were asked to ease problems for people setting up new

Commission's strategy involved "active policies to modernise labour markets". It called on Ireland, Italy and Portugal to improve training and education, while Denmark. Germany, France, Employment Pact that is due Italy, the Netherlands, Austo be agreed at the Cologne

and other charges on lowpaid workers. Belgium, France, Italy, Portugal and The third prong of the review the duration and eligibility conditions for bene-

The Commission said its three fundamental principles were "at the heart" of work in developing a European

### Growth forecasts revised downwards



De Silguy: usuffled by euro

The European Commission forecasts for European Union growth this year but predicted that the slowdown economy would continue to create jobs over the next two

Presenting the Commission's spring forecasts, Yves-Thibault de Silguy, the acting commissioner for economic and monetary affairs, said the negative effects of weaker export demand and slower growth in capital

investment in construction, cent. robust growth of 2.6 per cent in private consumption, an

upturn in public spending.

low inflation and low inter-

world economy. The Commission revised down its forecast for this year's growth in the 15 member states by 0.3 percentage

points to 2.1 per cent compared with its previous forecasts of October last year. In addition, it cut its forecast growth for the euro-11,

tors. These included growing used, by 0.4 points to 2.2 per year and next for the EU 15 taker" role as he resigned on

envisages growth of 2.7 per tively 0.1 percentage points 15 gross domestic product year. grew a real 2.9 per cent and per cent.

In spite of slower growth those 11 countries that in 1999, the Commission fore-zone. investment would be more belong to the euro-zone cast a 0.8 per cent increase

and 0.9 per cent each year in March 16 with the rest of the Assuming unchanged poli- the euro-zone area.

The EU economy created body's "scenario" for 2000 1.7m jobs last year when employment grew by 1.1 per est rates in Europe and a cent for both the Union of 15 cent. It is expected to create would be short and the EU gradual recovery in the and the euro-zone, respec- a further 2.5m jobs over the and 0.2 points less than in As a result, unemployment October last year. Such in the EU 15 could fall by levels of last year, when EU of the labour force, next

Mr de Silguy warned that that of the euro-zone by 3 greater efforts should be made to reduce budget deficits, especially in the euro-

The commissioner deliv-

EU's top executive.

Mr de Silguy rejected sug gestions that the EU could be at risk from deflation Although consumer price inflation in the EU is expected to fall this year to 1.3 per cent, its lowest level since the second world war, the growth would be close to the 1.1m to 14.5m, or 9.2 per cent Commission expects a slight pick-up in inflation to 1.6 per cent next year as growth

Mr de Silguy was also unruffled by the current weakness of the euro, saying it reflected stronger than expected US growth rather than offset by positive fac- where the single currency is in employment both this ered the forecasts in a "care- than problems in Europe.

### Russian banks 'face new threat'

By Andrew Jack in Moscow

Russian banks that survived the financial crisis last August are facing renewed threats following legal action by foreign creditors to seek reimbursement of forward contracts, a brokerage

olvent hanks such 25 spate of new litigation after legal actions may follow. the launch of a significant new lawsuit last week.

national Finance BV, a sub-sidiary of the French-based Crédit Agricole, had begun ferred to try to negotiate. proceedings against the Rus-

ness by foreign banks in seeking redress after the August crisis, following the release by the Russian government of details of the one individual close to the terms available to compensate foreign creditors.

Lehman Brothers won asset freezing orders last an exposure of FFr2.64bn

against two Russian banks

with which it had entered into forward contracts: Inkombank for \$87m and Oneximbank for \$26m, but the case has stayed on hold. Other actions have been started by Deutsche Bank.

Andrei Ivanov, an analyst with Troika, argued that now the Russian govern-Troika Dialog, a Moscow- ment's terms have been based investment bank, said revealed, and they show there will be no pr Vneshtorgbank and Avto- to non-resident creditors on bank might suffer from a forward contracts, other

Russian banks are potentially liable for forward con-The Bloomberg agency tracts with an underlying reported that Indosuez Inter- value estimated at \$6bn, but until now there have been few claims. Banks have pre-

Mr Ivanov said the lack of sian National Reserve Bank legal actions reflected the in the New York state unclear legal status of the supreme court at the end of contracts in Russian courts last week to recover \$111m and the low ranking such in forward contracts creditors would have in between September 1997 and bankruptcies. There was also the hope for a special deal in The action seems to indi- the broader Russian governcate a new-found aggressive- ment proposals to reimburse creditors.

National Reserve Bank in Moscow refused to comment on the legal action, though bank indicated it was aware of the suit. Indosuez, uncontactable late vesterday, had September in its moves (€403m, \$432.7m) to Russia

### Strike at France Telecom

By David Owen in Paris

More than 1,000 France Telecom workers demonstrated in Paris yesterday as unions representing the former monopoly operator's 143,000 staff called a one-day strike to protest over a range

competitive environment.

28.5 per cent in January.

behind yesterday's action: unions' insistence that the implementation of a 35-hour work-week should create iobs: worker unhappiness at the company's plans to integrate a hitherto untaxed bonus; and opposition to

The strike, the second onein little more than two months, was the first time in nearly three years that all France Telecom unions had issued a strike call.

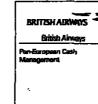
This suggested, in turn, that friction within the workforce - more than 80 per cent of whom are still civil servants - is rising as the 62 per cent state-owned group adjusts to the new

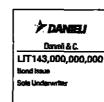
Snokesmen for two of the unions involved indicated the strike had been followed by 30-40 per cent of employproportion of strikers at 28.2 per cent, little changed from There were three issues

company plans on tendering.

# What does it take to be a financial leader in Europe?

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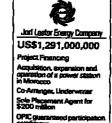


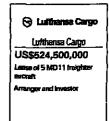










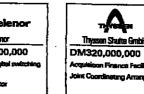


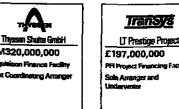












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### **CONTRACTS & TENDERS**

**BANKRUPTCY No. 60130** 

CTIP COMPAGNIA TECNICA INTERNAZIONALE PROGETTI SPA ROME COURT

OFFICIAL RECEIVER DR. RAFFAELE CAPOZZI

The bankruptcy is to sell the following assets of the bankrupt company through

company trademark CTIP SpA;

· company know-how consisting of company standards and procedures, process manuals, projects, archives, process studies, offers, software programmes, patent, library and regulations.

The sale will take place in a single lot. The base price has been fixed at ltl. 4,617,148,000 (equal to Euro 2,384,558). Offers must be delivered in a closed envelope to the Chancellery of Dr R. Capozzi - Tribunale Fallimentare, V.le delle

Milizie 3/E, Roma, Italy - within 1pm on 29th April 1999. Offers must not be lower than the base price and must be accompanied by a deposit for 10% of the base price in the form of a bankers draft made out to the Bankruptcy.

This deposit will be returned to those offerors not adjudicated. The opening of the offers will be carried out in front of the Official Receiver on 30th April 1999 at 12.15pm. The balance is to be paid 60 days from the adjudication. Survey reports on the assets are available to interested parties from the Clerk of the Court's Office or can be viewed by appointment at the office of the bankruptcy.

Appointments and further information from the receiver Dr Marco Fabio Pulsoni, P.zza A. Mancini 4, 00196 Roma, Italy, Tel ++39 06 65670480 - Fax ++39 06 6557513 or the web site www.farm-it.com/ctip

# AT&T in talks on telecom contract

By James Kynge in Beljing

negotiations with AT&T. the the officials added. deal that would see the US granted a build-operate- way in Shanghai yesterday. company become the first transfer (BOT) contract to

in China. deal said yesterday that it into a leading financial and ple by Zhu Rongji, the prime The project, which one anaminister, over the past few lyst described as "very days. Details of AT&T's major in terms of its investplans were somewhat ment value, has been under

sketchy and might be altered review by Chinese authoriin negotiations before any ties for several years. Chinese authorities are in announcement was made,

operate a telecoms network in Pudong, a special economic zone in Shanghai that Officials familiar with the China has ambitions to turn

AT&T executives declined to comment other than to

Permission has been foreign carrier to build and roll out a telecoms network denied foreign companies to operate telecoms services in China. The award of such a be finally approved," said deal in Pudong, one of the one telecoms official, (WTO). country's most promising had been approved in princi- information technology hub. business areas, could send a powerful signal to the US that Beijing is serious about opening its markets to for-

eign competition.

posed AT&T project remains Daley, the US commerce seccontroversial because it is retary, said that Chinese foreign interests.

"This is extremely sensitive. I am not sure if it will who declined to be identi-

In spite of his remarks. there have been some signs of an easing in China's offi-mobile telephone companies, cial stance toward telecoms higher than the 25 per cent

officials, though, the pro- eign companies. William offered.

World Trade Organisation Industry executives said that a ceiling on the proposed stakes has been ini-

Among Chinese telecoms sector investments by for- Beijing has previously

In another sign of China's increased willingness to The US company may be say that talks were under seen as relinquishing a jewel authorities this week offered embrace foreign competiof China's development to foreign companies a direct tion, Mr Daley said he had received indications that equity stake in local telecoms companies if China insurance licences would be succeeded in entering the granted to probably two US companies to operate in China.

It is understood that other licences, perhaps as many as four, are to be awarded to tially set at 35 per cent for companies in Europe and elsewhere in the developed

Mr Lieberthal described a

commercially acceptable

WTO deal as "good for

Chinese interests". It would

encourage further reforms

and improve the domestic

Chinese negotiations are

regulatory environment.

WTO ENTRY ASSESSMENTS DIFFER

### Puzzlement as US officials muddy picture

yesterday of high level US- directly address the chances China talks aimed at securing Beijing's entry to the World Trade Organisation.

The main source of puzzlement was that two senior US officials, William Daley, the commerce secretary, and Charlene Barshefsky, the US trade representative, differed significantly in their assessments of the chances that the two sides can hammer out a WTO deal after 13

years of trying. Mr Daley told an audience of American businessmen in Beifing: "We want to do a deal and plan to do a deal under the right terms. If it is done this week, great. If it's not done this week, it will be done. It could be later on this spring. It could be before the WTO ministerial

returning to Washington in Seattle in the fall." this week in a final effort to Ms Barshefsky, who canhammer out details of an celled a news conference in agreement before Mr Zhu's order to catch her aircraft talks with President Bill and be back in the US for Clinton next month. Passover, the Jewish religious festival, was more guarded in a statement issued by the US embassy.

She said "important progress" had been made in her negotiations with Zhu Rongii, the Chinese premier. and Wu Yi, a state councillor responsible for trade, but she cautioned that "substantial gaps remain ... in critical areas of trade, and there are complex issues in front of

Unlike Mr Daley, Ms Barshefsky offered no prediction that a deal would be made. But she did leave a team of negotiators led by Robert Cassidy, the assistant US run-up to Mr Zhu's trip to

the US from April 6-14. built up among Beijing's press corps over Ms Barshefsaid she would make the trip deal.

only if there was a real chance of a WTO deal. But, Confusion mixed with in the end, her statement theatrics dominated the plot was elliptical, and did not of an agreement.

Some confusion had also attended the timing of her visit. She was initially scheduled to arrive at the weekend, but then delayed until Monday. Almost until the moment she landed, US officials were denying in public that she had any plans to

come. Observers in Beijing said that the mixed signals may have arisen from the need of top officials to play to different galleries.

Ms Barsheisky's job is to drive as hard a bargain with the Chinese as she can, meaning that any expression of satisfaction must be withheld until the eleventh hour.

As Washington's chief WTO negotiator, she must also be mindful that both US business and US trading partners such as the EU would hold her responsible for any soft package of sweetheart deal for the Chi-

Mr Daley, by contrast, has his loyalties divided along somewhat different lines, observers said. He tries to please US business with predictions that the bounteous Chinese marketplace will become significantly more open to foreign competition. He also needs to serve the

White House, which is searching for evidence to subdue criticism on Capitol Hill that its policy of engagement with Beijing has borne little fruit. To complicate matters fur-

ther, both Ms Barshefsky trade representative, behind and Mr Daley also have to in Beijing for continued have an eye on managingexpert-level talks in the public expectations through the media. They have to prevent any breakthrough from A sense of expectation had being rendered stale by: widespread leaks to the press. But to balance this, sky's one-day visit to the public attitudes need to be Chinese capital because she tested on the prospect of a



### Sanctions over child labour 'can backfire'

By Richard Adams in London

The use of trade sanctions against goods produced by child labour in the developing world could be counterproductive and actually increase the hours worked by children, according to

Dr Sonia Bhalotra, an economist at the University of Bristol, said her research suggested child labour was driven by poverty and the need for families to earn a

minimum income. Dr Bhalotra, who has studied child employment in rural Pakistan, said: "If their hourly wage drops, they ning child labour by develalmost exactly make up the implied loss in income by working longer hours."

That implies that poverty, trasts with commonly may increase adult wage tend to work less at lower Wage rates."

goods produced by child labour could have the unintended effect of forcing the children into other paid

Work at a lower wage. The surveys in rural of the child population work

for their family. In addition, 12 per cent of girls and 6 per cent of boys between the ages of 10 to 14 are in paid employment.

The percentage rises to 14 per cent of girls and 18 per cent of boys in the 15-17 age group.

The children also work full-time. The average time: spent in weekly paid work was 44 hours for boys and 34 hours for girls. Only 7 per cent of children in paid work were also attending school.

Rather than simply imposing sanctions, Dr Bhalotra said other policies may be more successful.

Domestic legislation banoping countries may solve the problem in the long term, if families decide to have fewer children once rather than choice, drives their value as wage earners children to work: "This con- has been removed. Or a ban observed behaviour in richer enabling the household to populations where, having gain its minimum income. met survival needs, people without forcing its children into work.

"But in the short term, a. As a result, trade bans on ban would threaten the survival of the family and the child alike," Dr Bhalotra

A better alternative may be greater availability of credit to enable families on Pakistan found that a third the poverty line to weather

### **NEGOTIATIONS** STICKING POINTS REMAIN ON OPENING UP CHINESE MARKETS Hope for deal on WTO terms by next month

The US and China are National Security Council, striving to achieve said the administration officials say China needs to agreement on China's "recognised fully" that make further concessions on accession to the World Trade unless any WTO agreement Organisation in time for was strongly supported by next month's visit to US business it would fail Washington by Zhu Rongji, politically. the Chinese premier, but senior administration

Kenneth Lieberthal. director Asian Affairs at the WTO deal.

His speech, which was of US-China relations", markets to agricultural coincided with guarded imports.

optimism in Washington of a

market access for such items as vehicles; it needs to improve its offer on direct foreign investment in telecommunications; and

The two sides are also working to bridge the gap on However, administration foreign access to the financial sector, particularly insurance.

After weeks of adverse publicity on such issues as China's alleged theft of secrets, Mr nuclear Lieberthal strongly defended "non-trivial" issues remain delivered at a meeting of the also provide a stronger the administration's policy on the table, according to a Asia Society on the "future commitment to open its of "constructive engagement

He rejected criticism that the US is seeking a political deal over WTO to disguise failures in US policy.

diplomacy.

He said that any international institution to which China does not belong "falls at least 22 per cent short of being global" - a reference to China's 1.2bn

relations would represent a

"basic failure" of US

population.

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# in telecoms struggle

By James Kynge in Beijing

China's conservative Information industry minis-ter, Wu Jichuan, has lost a power struggle against Zhu Rongji, the premier, in a development expected to com (Hong Kong), was also accelerate the opening of a much coveted sector to foreign participation. Chinese officials said that

Mr Wu, who defied Mr Zhu's instructions for much of last year, has now radically altered his stance following pressure from other arms of Beijing's government. They said that Mr Wu's change of tune may have saved him discussion in telecoms industry circles of the pressures on him to resign.

One official who attended a key telecoms meeting in Beijing this month said that Mr Wu was espousing causes which he had vehemently and publicly opposed in the past. At the meeting, he exhorted ministry of information industry (MII) officials to provide real support to China Unicom, a second state carrier set up in competition to China Telecom, the dominant state leviathan run by the MII.

Such a pitch contrasted with remarks he made in a news conference in February that China's industry should be dominated by one carrier. China Unicom is now expected to be awarded a nationwide licence for the US-developed CDMA mobile fixed-line telephone comtelephone standard, something that Mr Wn had long opposed and which China Telecom does not yet enjoy.

officials said. As part of its negotiations to enter the World Trade Organisation, China has proposed allowing foreign serdirect equity stake in their telecoms services, and last over his former empire.

year jeopardised some \$1.4bn in indirect investments by declaring them "irregular".

Industry analysts said the resignation announced yesterday of Shi Cuiming, as the chairman of China Telerelated to Mr Zhu's drive to create a more level playing field between Unicom and Telecom, thereby forcing the latter to become more efficient. Mr Shi is expected to move to Unicom, possibly to take up the position of chief financial officer.

Mr Shi's expected move follows that of two other senior MII officials to Unihis job. despite persistent com. Yang Xianzu, an MII vice minister, and Wang Jianzhou, a department director, have recently assumed Unicom's two top

> Not only does the assignment of MII's top leadership to Unicom strengthen the upstart carrier, it also weakens Mr Wu's power base, analysts said. Mr Yang especially was known to be a close associate of Mr Wu but his departure is expected to divide his loyalties by setting him in competition with China Telecom, the main font of Mr Wu's influence.

China Telecom itself is set to become less monolithic and, over time, to sever its links with the MII as Mr Zhu seeks to separate business from government. China Telecom is expected to split into four entitles this year; a pany, a mobile communications company, a paging company, and a telecommunications and broadcasting satellite company.

A draft proposal being considered recommends a further division of the fixed line company into six geographivice companies to take a cal areas, officials said. It is not known, however, if the Chinese counterparts. Mr draft will be adopted. Such a Wu has long resisted such division would also tend to direct foreign investment in dilute Mr Wu's influence

# Zhu line wins Japan comes face to face with the Year 2000 problem

The millennium is bringing a new urgency to the issue of disclosure, writes Alexandra Nusbaum

he Year 2000 computer Japan nine months early tomorrow, in fact, when most companies start their new financial year.

Many older computers could read the fiscal year's ending date as 1900 rather than 2000. Collapse could follow, warns Professor Shumpel Kumon of the International University of Japan. The performance of Japan's computer systems on April 1 could prove critical in two respects. First.

new information on Japan's Year 2000 readiness could be revealed. Second, the event could help lend weight to calls by foreign investors for better corporate disclosure about Year 2000 and general financial data.

the Year 2000 problem has istry of Foreign Affairs. brought a new urgency to the issue of disclosure. Companies cannot hope to hide the millennium "bomb" indefinitely as they have done with previous problems such as bad bank loans and schemes.

concern among investors. The situation came to a

head last month, when the US Senate cited a report by the Gartner Group, a US technology consultancy, arguing that Japan had underestimated the problem. Such condemnation may have prompted Japan's government to use Year 2000 as

canabilities. The government has realised that Y2K is a confidence and credibility issue, not a technology problem," said

a way to prove its organisa-

tional and risk management

report was published, to inspire confidence for the Japan's government has scrambled todemonstrate Japan's readiness.

Last week, the government's public relations camproblem could strike murky pension funding paign seemed to have paid off when an updated report Information about Japan's from the Gartner Group Year 2000 readiness has been found Japan's Year 2000 sketchy compared to other readiness had moved into countries, causing mounting line with other industrialised nations.

The upgrade came as a deep relief to many Japanese officials who were furious at being ranked with, for exam- industry agencies. "The data ple. Armenia, Guatemala are released through a launand North Korea in the ear-But despite optimistic

reports from the Japanese government and the Gartner Group, many analysts and investors remain scentical Analysts said that key systems in Japanese companies relied on the western rather than the Imperial calfollowing reasons:

 Government data have preparations and continbeen gathered through questionnaires, then filtered by

'bomb' could hit Japan early -

The Year 2000

tomorrow, in fact

dering device - the trade industries," said a western government official. Without company meet-

ings and spot checks, analysts have had little faith in the validity of the data. • Few companies have proactively disclosed Year 2000-related efforts or spending. This approach stands in marked contrast to the US

With its built-in deadline, an official from Japan's Min- inherent Year 2000 immu- where the Securities and its website. close all related information.

This includes status of gency plans, as well as full costs and risks associated with Year 2000.

 Publication of government and corporate information in 2000 problems, with the English has been sluggish. This is critical to foreign investors, says Taka Okada. who is in charge of Year 2000 at the Japan Securities Dealers Association (JSDA).

The JSDA recently close Year 2000 contingency plans in English over the internet, but he admitted: You need to be able to read Japanese to get to the English information on our website".

The Japanese government ing to one foreign ministry official, the government took 2000-related information on

nity. The government's bat-Since the Gartner Group's tery of statistics have failed required companies to dishas become difficult to anticipate the domino effect of a glitch at any given company. • Finally, concern has arisen that companies lack the resources to handle Year shortage acute in small and

medium enterprises. While smaller companies worldwide have been deemed at risk, the situation has been worsened in Japan where the government has struggled to help these companies address Year 2000, in a recessionary, low interest rate environment.

April 1 is not the only premillennium date that could pose a Year 2000 problem. The US faces a similar situation on July 1, when 46 has also been slow. Accord- states start their new fiscal year. Analysts have been concerned about September three months to produce an 9, 1999, or "9.9.99" which English translation of Year computers could read as

CREDIT AGENCY STANDARD & POOR'S GIVES NEW CREDIT RATING OF 'SELECTIVE DEFAULT

### Indonesia 'defaults on its sovereign debt'

Capital Markets Editor

Indonesia has for the first time defaulted on its sovereign debt to the private sector according to Standard & Poor's, the credit rating agency.

The agency, which awarded Indonesia a new credit rating of "SD" (selective default), the lowest rating possible for a sovereign government, said the country had in effect defaulted on a \$210m loan to a syndicate of international banks led by Tokyo Mitsubi-

The loan, which was rescheduled at the weekend. involving a grace period until March 2002 on repayments of the principal amount, is the first commercial obligation on which Indonesia has been forced to restructure.

This leaves about \$450m worth of international sovereign bond obligations which far been awarded the new international bond obliga- remaining private sector free up resources to service. Mr Bhatia.

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Thailand: impact of fiscal package



Troubles that have not gone away: A group of well-armed East Timorese guernilla fighters from the Felentii faction guard their headquarters in the island's central mountains. The group say they are ready to resume their tight against indonesian rule if East Timor is

Ashok Bhatia, an economist at S&P, said that only

> Divide equal pertion for spending and saving

retain their CCC plus credit rating category of "SD". tions, is expected to default obligations having success-Pakistan, which has been on its bonds. asked by the Paris Club of However, the agency said period until March 2001 on obligations if the rupiah official creditors to restruct that Indonesia was not repayment of its \$1.1bn in Russia and Pakistan had so ture almost \$650m worth of expected to default on its Paris Club debt. This would 8,000 to the US dollar," said

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fully negotiated a grace

bishi loan would also make it easier for the country to service its other obligations. But Indonesia is not expected to gain access to the international capital markets for several months at least. The country's bonds are trading at a spread - or

its bond debt. The agency

added that the restructuring

of Indonesia's Tokyo Mitsu-

risk premium - or up to a 1,000 basis points over US Treasury bonds. This comrares to spreads of under 400 basis points for most of its neighbours including the Philippines, Thailand and Malaysia.

The country's ratio of external debt to gross domestic product has risen from less than 25 per cent in 1997 to more than 75 per cent this year, say economists. "Indonesia can probably meet its external remains stable at around

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### Anancial Thailand ends IMF-inspired plans and boosts spending

By Ted Bardacke in Bangkok

Looking to spend its way out of economic gloom and calm an increasingly turbulent political environment, Thailand yesterday announced a Bt130bn (\$3.5bn) package of tax cuts and government spending that completes a rollback of policies introduced 18 months ago by the International Monetary

On the spending side, Bt53bn provided by Japan's Miyazawa Fund and the World Bank, will fund social programmes. Many of the projects will involve direct cash payments to rural communities for make-work programmes, by which officials hope to avoid the excessive bureaucracy that derailed Thai government spending

programmes in the past.

Tax cuts, worth Bt54.7bn each fiscal year, will focus on boosting consumer demand. The value added tax will be cut to 7 per cent from 10 per cent for the next two years, the first Bt50,000 of personal income will be made tax exempt and corporate taxes on small businesses will be waived. Taxes on energy will be reduced at a cost of Bt23,8bn. As a result, this year's fiscal deficit will be 6 per cent of GDP not including the costs to the taxpayer of government takeover of more than 60 financial

institutions. An increase in energy taxes and VAT, along with a reduction in government spending to create a fiscal surplus were among the first policies introduced following politicians busy as well as systems.



Thailand's first agreement give the economy with the IMF in August 1997. kickstart. Those policies deepened the country's recession and hastened the demise of the previous government of Chavalit Yongchaiyudh.

IMF advocated high interest significantly diluted the scope of its overall programme with the Fund. debt only non-technical commitments made by Thailand are related to financial system restructuring.

ckage is very astute. The business and middle class consensus in favour of only give a window of government and IMF policies is crumbling fast and the extra cash will keep the financial and legal

Finance minister Tarrin Nimmanahaeminda said the stimulus package was the only way to ensure that the country reached its 1 per Thailand abandoned its cent economic growth target this year. But he said rate policy last year and has achieving sustained growth would depend on resolving the financial system's bad problem and In its latest agreement, the engineering a recovery in exports, which are in an accelerated decline, "These will take time," Mr

Tarrin concedes. Analysts have generally Politically, the spending applauded yesterday's measures but warn that their "one-shot" nature will opportunity to implement a host of crucial changes to

will potentially have a high impact. The engine of growth is going to be the consumer," said Tim Condon, economist at Morgan Stanley in Hong Kong. "What the government needs to do they are doing. But they've got to complement it with getting the structural reforms in

place," Mr Condon said. Most crucial is the continuing attempt to restore health to the banking system, the moment awash with liquidity and charging unprecedentedly low interest rates, is a drag on the economy as credit extension continues to fall. This will only change. bankers say, when either the pace of corporate debt restructuring quickens or the government revises the terms of its offer last August to give banks new capital as long as old shareholders are

punished Mr Tarrin said it was "too early" to think about changing the bank assistance plan. And of the excuse bankers use for not lending - that there are few good borrowers left in the country - Mr Tarrin said: "After this stimulus package they can't say that any more.

Yet the expansionary fiscal package is a gamble. With low interest rates. falling wholesale prices and minimal inflation, some analysts fear the onset of a Japanese-style deflation. Should this deflationary cycle gather speed, the government and economy may struggle to cope with a bloated public sector debt.

**NEWS DIGEST** 

CHALLENGE FOR UMNO IN MALAYSIA

### Anwar's wife to form opposition party

The wife of Anwar Ibrahim, Malaysia's sacked, beaten and jailed deputy prime minister, said she will form an opposition party this weekend to challenge the Umno party that

has ruled since independence in 1957. Wan Azizah Wan Ismail said the National Justice party would be multi-ethnic. There have been numerous calls for such a party since the two dominant opposition parties, PAS and DAP, are separated - as is the Malay-dominated. Umno - along ethnic lines. PAS is Malay and has long supported the formation of an Islamic state. DAP is largely Chinese and is opposed to such a religious state. Dr Wan Azizah has indicated she might even oppose Dr

Mahathir in his own constituency in the general election that must be held by April 2000. Political analysts are unsure how well she would do. Although the treatment of Mr Anwar has provoked an unprecedented backlash against Dr Mahathir, his Umno party is firmly entrenched and the opposition has so far been unable to present itself as a workable alternative to most Malaysians. Sheila McNulty, Kuala Lumpur

HONG KONG RULING

#### Mainlanders' plea rejected

A Hong Kong lower court yesterday rejected the application of 17 mainlanders who had sought to stay in the temtory while seeking permanent residence status. The court said allowing the mainlanders to stay might

trigger a flood of thousands of illegal immigrants into Hong Kong. In January, Hong Kong's highest court ruled that all children in China who had one parent who is a Hong Kong permanent resident were entitled to live in the territory. The ruling added that a one-way exit visa issued by the Chinese government was irrelevant in determining an applicant's right of abode in Hong Kong.

This bold assertion of the autonomy of the Hong Kong court system sparked a constitutional row with China. The court eventually clarified its original judgment but the ruling remained intact. Lawyers for the migrants said they would appeal against the decision. Legal experts said it might be a few months before the case was referred to the Court of Final Appeal. Rahul Jacob, Hong Kong

SENATOR MEETS HUN SEN

#### Aid warning over Khmer Rouge

An influential US senator yesterday warned that US aid would be at risk if a trial of Khrner Rouge leaders did not measure up to international standards. Mitch McConnell, chairman of a subcommittee responsible for drafting foreign aid bills, made his comments after a meeting with Hun Sen, Cambodia's prime minster.

The senator told Mr Hun Sen the US believed an international tribunal was the best way to deal with the Khmer Rouge, something the Cambodian leader has rejected. "Aid is not an entitlement and it is conditioned upon certain type of behaviour," he said. Washington suspended all but humanitarian aid after Mr Hun Sen ousted his then senior co-premier in a bloody coup in July 1997.

Mr McConnell said he also told the Cambodian prime minister that he hoped more than one Khmer Rouge leader would be tried and that he understood there were six who could be tried. An adviser to Mr Hun Sen said the premier reiterated to Mr McConnell that a trial should be local under Cambodian law. Reuters, Phnom Penh

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Inwar's wife to form

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edulanders' plea rejection

MATTER METS HAR SEN

There's no such thing as the paperless office.

FINANCIAL TIMES

No FT, no comment.

Opposition to the 19-year-old Zanu regime political opponents. is gathering pace, reports Victor Mallet

ian leader of Malaysia. Zimbabwe's President Robert Mugabe has never been afraid to declare his suspicions about westerners, homosexuals or the independent media.

Last weekend he managed to attack all three at once. In a speech to the Youth League of his ruling Zanu-PF party. Mr Mugabe railed against local newspapers that have criticised his government, calling them "filthy tabloids" and claiming that they were staffed by young Africans used as puppets and sometimes as "homosexual partners" by manipulative western jour-

This was only the latest of several recent outbursts by the 75-year-old Mr Mugabe against real or imagined enemies. Nineteen years after he won power following the end of white rule, he has attacked," says Morgan taken to condemning Tsvangirai, secretary gen-Americans, South Africans, eral of the Zimbabwe Con-"British agents" and "unre-

nomic and political prob-

Mr Mugabe is once again threatening to seize hundreds of white-owned farms. to arrest "lying journalists" (two of whom were recently embarrassed the army) and sidestep opposition

ocratic constitution.

"People are not allowed to

express themselves; strikes

have been banned, and if

people demonstrate they are

tear-gassed; the courts are

being attacked, the judges

are being attacked; the trade

union movement is being

attacked: the media is being party's old guard.

ike Mahathir Mohamad, with renewed vigour to however, Mr Tsvangirai and land reform, complain that the National Constitutional

One of the biggest threats to Mr Mugabe and Zanu

is likely to come from the trade union movement

his fellow septuagenar- explain Zimbabwe's dire eco- other critics of Zanu's the government has no Assembly, a pressure group, ing the ruling party and senior Zanu officials. introducing a real democ-

Mr Mugabe's fulminations,

apparently intractable war

in the Democratic Republic

stricken with poverty, unem-

ployment and disease; and

call for the removal of the

As for the proposed sei-

zure of white farms, few

Zimbahweans dispute the

dent Laurent Kabila - is championed human rights

bogged down in a costly and since before independence.

of Congo; Zimbabwe itself is going to take the white land'

Far from being alarmed by as the foreign donors who civil rights organisations the government's actions, are supposed to finance the many of which have joined

"Race and land are the two arrows left in the Zan- tory of this country have u-PF quiver," says Mike tortured over a story that they argue, smack of desper- Auret, national director of ation: his army - in support the Catholic Commission for trade unions, the NCA, wom-of the fragile regime of Presi- Justice and Peace, which has en's organisations - all run-

"They have nothing else left

to offer the people. 'We are

it's the only thing left."

Since the mid-1990s, Zim-

them - have prompted what

Trevor Ncube, editor-in-chief

of the three-year-old Zim-

babwe Independent newspa-

per, calls "an outbreak of

political outspokenness".

authoritarian style believe coherent land policy and has in a battle for political they have their best chance managed to transfer many of reform - has been made in two decades of challeng- the farms already bought to inevitable by 19 years of mis-"Never before in the his-

you had such a vibrant civil society." he says. "Churches. ning around issues of constitutionality. good governance, accountability

and the observance of human rights." Paraphrasing W.B. Yeats, he says Mr Mugabe "is the centre that cannot hold any more.

Things are falling apart."
One of the biggest threats
to Mr Mugabe and Zanu is likely to come from the trade union movement, which has mounted a series of protest restless Zanu members of babwe's difficulties - and strikes over the last year parliament have begun to Zanu's failure to address and is now considering the establishment of a new political party.

Mr Tsvangirai, a burly former miner, remains coy about whether he would lead such a party, but says that the country's present leader-

Mugabe: his fulminations have given hope to opponents

"democratic alternative".

In Matabeleland, disaf- Union of Democrats. fected members of the Ndebele minority have formed harks back to the Zapu party that was absorbed by the Shona-dominated Zanu following a unity agreement in the late 1980s.

And in the capital Harare, Margaret Dongo, a Zanu defector and one of only

ship cannot be reformed and Zanu supporter threw a petthat it is vital to create a rol bomb at her last year has formed the Zimbabwe

"I feel betrayed because the ideals of the liberation Zapu 2000, a name which struggle were betrayed," she ment that is now run like a private company or a family affair." Parliament. according to Mrs Dongo, is a

which dates back to the Lancaster House peace agreement at the end of white rule but has been repeatedly amended in favour of the ruling party. "The executive. powers that have been given to our president have made him a god," Mrs Dongo says. For all the excitement

among Mr Mugabe's opponents about the chances of ending Zanu's rule, they admit they are nervous about two particular dangers. First, opposition groups instead of presenting a united front - might fight among themselves and lay themselves open to government charges that they represent ethnic rather than national interests.

The second and greater risk is that the army will eventually intervene in politics, either against Mr Mugabe because of anger over casualties in the Congo war, or in support of the status quo. Aiready, the government has sought to sweeten the armed forces by appointing former military officers to senior posts in the intelligence service and the departments for prisons and

"There's a militarisation of key national institutions which is very worrying," says Mr Ncube. "This is not Like other opponents of the first time the president Zanu, she says it is vital to has shown he's got more three opposition members of clean up the electoral system confidence in the military

#### gress of Trade Unions and need to resettle land-hungry one of Mr Mugabe's chief black farmers. But Mr Mr Ncube says the rise of the 150-seat parliament - a and reform the constitution, than in the people." Hopes that Moroccan PM can change anything are fading

Country needs reform but Youssoufi is seen as too cautious, writes Roula Khalaf

In Morocco, where hope is a prises. "The government rare commodity, the appoint- acts slowly, cautiously, by ment of a man who had long fought for democracy and the point of the change in justice created unprecedented expectations of social reform and better economic

management. Abderrahmane Youssoufi as government to tackle adminprime minister is over. A istrative reform. Public salayear after he became the ries consume more than half first opposition leader since Morocco's budget. With debt independence to hold the service taking up another 33 post, his ability to bring per cent, little is left for pub- and electricity are still lackabout change is being lic infrastructure needs, increasingly questioned.

There is talk, talk, but we vate sector investment. need strong signals." says Hassan Chami, vice-presi- tor of a new newspaper crisis. The Youssoufi governdent of the general confeder- reflecting the views of one ment cancelled a planned wants to set up an indepenation of Moroccan enter- section of the Union Social- demonstration by political dent state. The question Morocco would turn the macro-economic balances -

consensus, but unless they bring a new spirit, what was

government?" A main complaint of the business community is the But the honeymoon of perceived failure of the new

Mohamed El Berini, direc-

which would promote pri-

iste des Forces Populaires, Mr Youssoufi's party, says he is beginning to worry secular opposition in government will fail.

He fears this could leave the field open for the Islamist movement to claim that it has the only answers to Morocco's woes. The country is saddled with high unemployment and a huge debt burden. More than 50 remains illiterate and even basic needs such as water ing in many rural areas. The reach of the Islamists

was brought to the surface during last December's Iraq

parties against the US and British raids. Al Adl Wal Ihsan, the largest Islamist sent tens of thousands of people on to the streets. The perception that Mr

Youssoufi is not fighting hard enough to implement his promises has to do partly with the omnipresence of Driss Basri, the interior minister. Mr Basri is the man who maintains security in a per cent of the population country prone to protests, and controls the provinces through his appointment of governors. He is also the point man on the thorny for small progress. After the issue of the Western Sahara where Morocco claims sovereignty and the Algeriabacked Polisario Front

closest to the heart of King Hassan, who still calls the final shots in Morocco, is at that the experiment of the movement, went ahead and a critical stage. It is supposed to be decided by a United Nations-sponsored referendum which Morocco does not appear certain to

> being the boss once and for all and he isn't today," Khalid Jamai, an official from the Istiqlal coalition partner, told a local newspa-Mr Youssoufi appears

"Youssoufi has to start

unable to claim credit even new prime minister said he would settle all outstanding human rights cases, it was King Hassan who took up

nalace rather than being an independent commission. Ahmed Lahlimi, Mr Yous-

soufi's right-hand man, says the government is conscious of the scepticism that has started to settle. But Morocco's problems have no quick fixes. The administration and the education system are rotten, but so powerful that they can only be changed by promoting forces

within that demand reform Fathallah Oualalou, the finance minister, meanwhile points to the government's the issue, declaring that success in maintaining

disappointment of human than 3 per cent of gross we have to build confidence rights activists, however, the domestic product last year and the balance of power is body now looking into the and should remain at the not in our favour." cases of disappeared people same level this year. He says in Morocco falls under the the government introduced objective is for Mr Youssoufl measures of fiscal amnesty and his party to secure a key that were well received by

> additional revenue. Even with its meagre resources. new fund to finance rural development. There is an overriding reason why Mr Youssoufi is moving cautiously on all

fronts, however As Mr Lah-

business and are bringing in

ter is seeking to win the conwith him against the forces resistant to reform. "Between the USFP and the king there are 40 years of his arrival.

page on its past. Much to the the budget deficit was less mistrust," he says. "So first

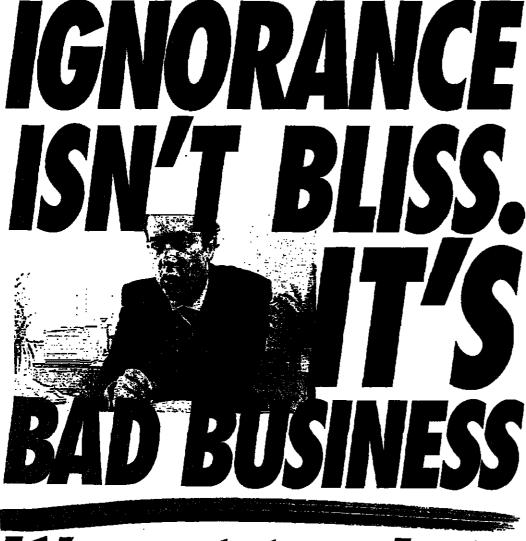
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For many observers, the role in the succession, and play a more assertive role when the kingdom passes to Sidi Mohammed, the crown the government is creating a prince. The next king is said to be open to further democratisation and not to enjoy a particularly close relationship with Mr Basri.

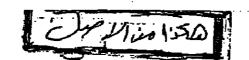
But such a strategy carries enormous risk. As even limi puts it, the prime minis- some in Mr Youssoufi's narty are warning, he may fidence of the king and work find that while focusing on winning the king's trust, he has lost that of the ordinary Moroccans who had cheered



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DRUG MONEY LAUNDERING CASE

### Mexican banks set to plead guilty

and Henry Tricks in Mexico City

Two of Mexico's leading banks were set to plead guilty before a US federal their licences. court judge in Los Angeles yesterday to money launderthe biggest investigation news office in Los Angeles to into the processing of drug plead guilty, were still facing profits in US history.

Bancomer and Banca Serfin, along with a third Mexican bank. Confia, were indicted last May in a surprise "sting" operation by US customs officials. In what was dubbed "Operation decisions not to fight the Casablanca", 112 suspects, many of them low-level banking officials, were also arrested.

attorney in Los Angeles and one of the five prosecutors on the case, speaking before the hearing yesterday, confirmed that one bank would pay the US government ful operation that revealed nearly \$10m and another nearly \$5m.

dropped against a third bank that had agreed instead to forfeit \$12.1m.

Mexican banking industry analysts said the banks had already made provisions against stiff penalties, and that avoiding a long trial was vital to them to enable them to re-access US capital markets.

The two banks must still which reserves the right to nected with the case.

revoke the banks' US operat-

ing licences. Analysts however believe the banks have come to a tacit agreement to institute money laundering controls in exchange for keeping

Bank employees, who witnesses said were literally lining charges stemming from ing up outside the US attorcourt charges of money laundering.

A decision by the judge preventing banks from severing their cases from those of their employees was a determining factor in their

ernment is very pleased with the results. The banks have Duane Lyons, assistant US recognised and accepted responsibility for the actions of their employees."

He said the outcome showed Operation Casablanca "was a very successmoney laundering is a significant problem and the gov-He said charges would be ernment will use its best efforts to attack that problem because it's a significant part of our commitment to fighting narcotics traffick-

Nine people have already pleaded guilty in Los Angeles and Mexico has pledged to prosecute five people arrested last year. Thom Mrozek of the US attorney's office in Los face a hearing by the US Angeles said he believed Federal Reserve Board, there were 18 fugitives con-

# Gore caught in Clinton's shadow

It is the best of times and worst of times for Al Gore. US vice-president

On the one hand, he has already seen off most challengers and built a huge lead in pursuit of his Democratic party's nomination for the 2000 presidential elections.

On the other, he finds him self repeatedly pilloried for gaftes such as his recent claim to have invented the unable to generate significant enthusiasm for his candidacy, even within his core constituency. More worryingly, polls consistently show him trailing potential Republican rivals such as George W. Bush, the Texas governor.

Observers are divided over the cause of this paradox, trusted adviser and imporbut a key factor appears to be the unusually active nature of his vice-presi-

Traditionally one of the more undesirable and powerworth less than a pitcher of

little-used understudy to a ridden administration. dynamic combination of "No vice-president probably in history has had the tant policymaker. kind of relationship with the

Fighting mood; Al Gore, vice-president, has remained steadfastly loyel to Bill Climton

New initiatives are now president, been given the routinely dubbed "Clintonsubstance of responsibilities That has allowed the he has," says Norman Orn-

vice-president to claim par- stein, political analyst at the less posts in US politics - a tial credit for Clinton sucprevious incumbent cesses such as a booming tute, a conservative thinkfamously referred to it as economy and a popular social policy agenda. But it warm spit - Mr Gore has has also left him closely ated before the two men. Mr Gore has scored some ing a more public show of transformed the office from associated with a scandal-took office. When Mr Clinton significant successes in his disapproval.

first offered Mr Gore the job in the 1992 campaign, the then Tennessee senator

ities in core areas. The two progressive American Enterprise Insti- and the lunch has since ton even through the darkremained one of the few sac-The partnership was cre-

and independent responsibil-

been remarkably successful

uring many of his own until such time as he actutant positions in the administration, all of whom are But there have been downsides. Despite all his problems, Mr Clinton's personal

plete exaggeration, as he

was instrumental in its

empathy and powerful skills credit for a number of sucon the stump have tended to cessful initiatives in Texas. highlight Mr Gore's shortcomings in those areas. And although the vice-president's insisted on a weekly lunch private life is beyond reproach, he suffers by assoof Mr Clinton's personality. southern Democrats soon Last year, Mr Gore remained est hours of the Monica Lewinsky crisis and received dent's diary. Over the years some criticism for not mak-

out into new ones such as campaign is being built "livability" issues such as around the theme that his suburban sprawl. Even his election would consolidate grandiose statement about and expand the achievethe internet was not a com- ments of the Clinton administration

But Mr Kohut also warns development and expansion. that despite his relatively Just as important, he has high profile. Mr Gore still suffers from "vice-presidentiin cultivating important tis". Notwithstanding Democratic party officials attempts to portray himself across the country while sec- as Mr Clinton's partner. friends and allies in impor- ally wins the nomination, nearly everything he says or does will in practice be overnow well-placed to help his shadowed by the president. By contrast, even though he has a far less developed polis able to take personal

Despite such problems. Mr the experience of his likely rival's father. In 1987, George Bush, then Ronald Reagan's ciation with the seedier side relatively unloved vice-president, trailed Democratic developed a strong rapport steadfastly loyal to Mr Clin-tougher primary opposition within his own party. He went on to win comfortably in the following year's election, beating a successful Democratic governor in the

### makers may face defending fire suit

By Andrew Edgecliffe-Johnson

The restless legal quest for industry has taken a new twist. The city of Philadelphia is examining the possibility of suing government had to float on cigarette manufacturers for the cost of fighting fires caused by discarded cigarettes.

Stephen Sheller, the attorney recruited by the city's mayor to weigh up the possibility of such a suit, said: We estimate the annual recurring cost to the city for [fighting] fires, not including injuries to firemen, is

Mr Sheller claims that manufacturers, rather than careless smokers, are to

blame for such fires. "They put additives in to make these digarettes keep burning even when they are in the ashtray," he said.

Wall Street analysts are relaxed about the threat of such litigation, saying existing case law suggests that Philadelphia's chances of success are slim. They added that the sums at issue were small for an industry which last year agreed a \$206bn settlement with 46 state govern-

Mr Sheller said some individuals had tried unsuccessfully to sue tobacco compa-nies for injuries they had sustained in fires, but that no city had tried to recover the cost of extinguishing cigarette-related

Philadelphia had not decided what damages to seek from the industry, he said: "First we want (manu-[acturers] to make cigarettes so we don't kill our firemen, then we will talk about

One hurdle which the city still faces is that last year's \$206bn settlement includes a set-off agreement, in which any money later recovered tobacco lawsuits must be offset against the state's share of the settle-

Gary Black, tobacco analyst at Sanford C. Bernstein, said the notion of a fire-related claim was "stupid", while David Adelman of Morgan Stanley Dean Witter said: "Fireplaces also cause

in watery revived, and of

secure. All in how to specie

and FT their Subsectory.

### Cigarette | Bank lost \$4.3bn the Real

Brazil's central bank says it lost R\$7.6bn (U\$\$4.27bn) in the São Paulo currency futures market trying to defend the Real, which the January 13. The currency subsequently fell by 40 per cent, deepening an already severe recession in Brazil.

The futures market losses are only a part of the cost to public finances of defending the currency. The central bank also ran its reserves down by \$9.1bn in January and February buying Reals on the spot market.

The government's Real-denominated debt tied to the dollar also increased by about R\$43bn, because investors wanted to hedge dollar

liabilities. Including the futures losses, run-down of dollar reserves and increased debt stock and servicing costs the overall impact of the Real's collapse on public finances was about \$41.7bn.

Economists say that the futures market losses, which were within the range expected by financial markets had no impact on reserve levels but increased the government's budget deficit. The central bank's futures market positions and its sales of dollar-linked securities enabled private sector companies and banks to hedge their foreign currency debts, averting possible defaults.

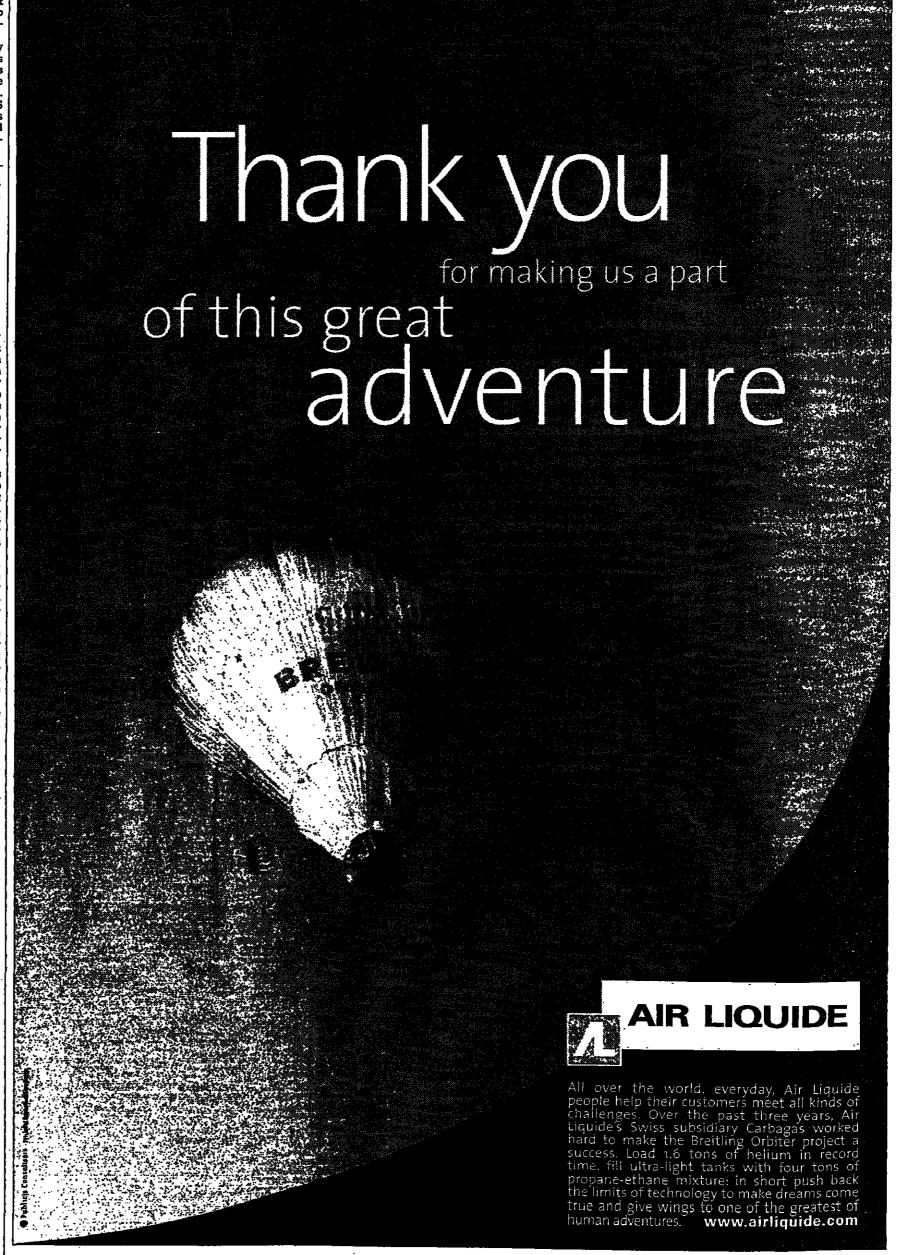
Private companies and banks account for 60 per cent of Brazil's foreign debt, which stood at \$235.08bm in December. Most private sector debtors expected a devaluation in 1999 and had hedged their liabilities on the futures market or by buying dollar-linked govern-

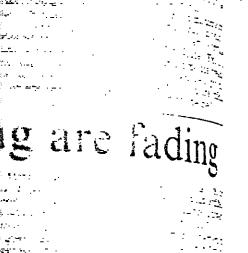
ment securities. So far no big bank or company has defaulted on its debts, but two small investment banks did fail after they bet against a devaluation on the futures markets. However, the central bank's activities in financial markets has drawn growing criticism from opposition political parties, which are demanding an investigation into claims that a group of foreign banks were tipped off about the Real's imminent devaluation.

On the web today

 US growth fillip for social security ● Rates push Colombia into recession • US consumer confidence up Canadian provinces fall out over building workers

http://www.ft.com/americas





See American Constitution of the Section of the Sec

high school

# Leaders battle to save peace deal

in Belfast

The fate of Northern Ireland's peace agreement weeks. hung in the balance last be set up.

pro-British Ulster Unionist Northern Ireland. party and Sunn Fein, politiwould see a new executive between the parties this impasse," David Andrews, a "normalisation" pro-body in place by the end of agreement isn't going to the Irish foreign minister, gramme to scale back the

the week in exchange for a work. After talking to the told the republic's parliaguarantee from the IRA that parties here last night and ment. arms decommissioning today. I believe we can get would begin in the next few

night, as the prime ministers Ulster Unionist party's depof the UK and Republic of uty leader, last night was Ireland continued the search adamant there was "no quesfor a compromise to allow tion of the UUP agreeing to the regional government to an executive involving Sinn Féin until there is some Tony Blair, the UK prime prior decommissioning," The minister, is understood to Ulster Unionists are the larghave put a formula to the est pro-British party in

Mr Blair said earlier he cal wing of the Irish Republi- would not rest until a deal can Army. The formula was found, Without trust

there," he said during a visit with Bertie Ahern, his Irish But John Taylor, the counterpart, to a Belfast

> It emerged yesterday that the two governments are looking to General John de Chastelain, the Canadian officer entrusted with overseeing the destruction of paramilitary arms, to issue a statement verifying the expected to soften its stance republicans' bona fides. "The task right now is to help the general to find the formula to unblock that particular government would announce

British security presence in Northern Ireland.

A UK official said: "There Mr Blair also met Orange were a few glimmers to con- Order and Portadown vince the prime minister to nationalists over the dispute keep going." The govern- about the route of the Drumment is understood to be cree Orange parade schedworking on a package of uled for July 4. Officials measures aimed at increasdenied attempts to link the ing confidence in both comdispute to the negotiations on decommissioning. munities to enable the parties to find a compromise.

As the talks switched to In its Easter statement. the official residence of Mo due later today, the IRA is Mowlam, chief Northern Ireland minister in the UK on decommissioning but to government, officials last fall short of committing night appeared more upbeat itself to disarmament. The about a deal. Ms Mowlam's spokesman said she was still

urges decision on aid for Rover

FT Reporters in Munich Budapest and London

**BMW** 

BMW chairman Joachim Milberg yesterday voiced increasing irritation with the UK government over delays in reaching agreement on aid for its Rover offshoot's Longbridge factory in England. BMW warned that plans to make new models at Longbridge might still be switched to a rival site in Hungary.

At the same time BMW made clear that Royer's time as an independent entity is coming to an end. The size of Rover's board is to be reduced and its purchasing. development and distribution activities integrated with BMW's own. BMW expects to save between DM500m (\$280m) and DM1bn annually through the mea-

Nevertheless Mr Milberg and Stephen Byers, chief UK industry minister, indicated that they still believed a deal could be struck within the next two the three weeks, while Hungarian government officials indicated that Mr Milberg's threat may be more apparent than real.

"The longer the negotiations drag on, the greater will become the likelihood of a production site outside of Great Britain," Mr Milberg said at BMW's annual press

But "nothing has happened between the ministry and BMW." a spokesman for Hungary's ministry of economic affairs said last night. "Frankly, the amount of aid mentioned. at £200m. is unimaginable for Hungary. There has been no official approach to our ministry. only informal talks with minister Attila Chikan. I can imagine BMW only asked in general terms, and the minister said 'Of course we abducted in 1978, spoke of j would welcome a car plant'. But there has been nothing concrete and certainly no

discussions about aid or subsidies. The UK government so far is understood to have offered Security officials believe | BMW £118m (\$192m) in aid the IRA has long known the towards a project which would see the Longbridge plant entirely rebuilt and a new family of cars to replace Rover's existing 200 and 400 cars go into production there from 2002. BMW is understood to have been expecting

> closer to £200m. The UK government should treat BMW "competitively," said Mr Milberg, pointing out that roughly 20 per cent of investment costs for Ford's Jaguar offshoot had been met on previous projects.

> Last year, a DM1.87bn loss at Rover dragged BMW's net profit down 28 per cent to DM903m from DM1.25bn in 1997. Mr Milberg refused to predict when Rover might make a profit.

NEWS DIGEST

NORTH SEA OIL AND GAS

### Reforms aim to improve sector's competitiveness

The government will today unveil its first round of North Sea regulatory reforms as part of an initiative to enhance the competitiveness of the UK's oil and gas industry, which has been hit by low prices. John Battle, energy minister, said yesterday that the reforms will focus on the offshore licensing regime as well as on the way the government handles applications for individual projects.

A joint government-industry task force is currently examining a number of ways to cuts the costs of finding, developing and producing oil and gas on the UK continental shelf. Although costs have tumbled in recent years, the unit costs of the North Sea are still substantially higher than the US Gulf of Mexico, one of its main competitors for new investment. Mr Battle said the task force was due to meet the Chancellor of the Exchequer in the near future to discuss possible tax changes. Robert Corzine, London

LOBBY AGAINST EURO

#### 'Businesses oppose entry'

Business for Sterling, an anti-euro lobby group, yesterday published a survey suggesting that most UK businesses oppose British participation in the single currency. The survey, carried out by the respected polling organisation ICM, will be unwelcome news to the government, which hopes that pressure from business for early entry into the single currency will help to sway sceptical voters. The survey's finding that only 41 per cent of businesses favour joining the euro contrasts with a poll by MORI for the Financial Times, published in September 1998, which suggested that two-thirds of companies wanted to join.

However, the two polls are not strictly comparable because MORI excluded companies with 10 employees or fewer. This probably accounts for the different results, since it is generally accepted that smaller firms are more euro-sceptic. However, Britain in Europe, the pro-euro business lobbying group, said the ICM sample gave too much weight to small businesses, which are also generally accepted to be the least well-informed about the single currency. Kevin Brown, London

LABOUR MARKET REPORT

#### Racism 'may be on increase'

Racism in the UK labour market shows no signs of disappearing and may be on the increase, according to new research published today. In spite of 20 years of antidiscrimination legislation, black Africans and Caribbeans, Pakistanis and Indians still experience much lower earnings and higher levels of unemployment than whites, the Royal Economic Society's annual Conference in Nottingham will be told today.

The evidence, compiled from the government's Labour Force Survey, shows the relative position of ethnic minorities in the workforce has deteriorated since the 1970s. when the first important laws against discrimination were

The report by academics at the University of Wales and Manchester Metropolitan University concludes that "ethnic minorities do not appear to face a level playing field in the UK labour market". Richard Adams, Nottingham

FREE INTERNET SERVICE

#### Newspapers join access trend

Two of the top-selling newspapers in Britain yesterday announced the launch of free internet access services. The Sun and The Mirror are the latest big brand names to attempt to gain a share of the fast-expanding internet market and take advantage of advertising, sponsorship and on-line shopping opportunities.

The Dixons, Tesco and WH Smith retail chains have also launched similar free internet services. The Sun, owned by Rupert Murdoch's News International, was first into the fray. The Sun's telecoms partner for its new venture will be Broadsystem Ventures, a subsidiary of News International.

The Mirror's announcement came as the group created a new division to manage its new media and interactive service developments. Its managing director will be David-Clarke, former chief executive of Virgin Group's Internet service provider. Cable & Wireless will provide the tele-

coms infrastructure. The two new services bring to seven the number of free internet service providers to enter the UK market in the past week. Christopher Price, London

PROPERTY MARKET

#### **House prices record 1.5% rise**

House prices rose by 1.5 per cent in March, the biggest monthly increase for 18 months, according to Nationwide building society [mutually owned home loans andd savings institution]. Its findings add to evidence of an unexpectedly strong seasonal recovery, spurred by five base rate cuts in as many months and the lowest mortgage rates for 30

David Parry, Nationwide's divisional director, said: "Although spring usually produces an upturn in the market. there are tentative signs that the recent series of base rate cuts has helped boost confidence by reducing recession fears among home-buyers."

Nationwide put the annual rate of house price growth at 7.6 per cent, up from 6.8 per cent in February, but below the 12.3 per cent level of a year ago. Christopher Brown-Humes, London

### IRA offers limited comfort over 'disappeared'

Many people from both communities see timing of statement as cruel manipulation, says John Murray Brown

widespread cynicism greeted the announce-ment late on Monday that the Irish Republican Army had identified the burial places of nine of Northern Ireland's "disappeared". The nine had all been murdered in the 1970s and their relatives have pleaded for years for a chance to give their remains proper burial.

Three of those on the list were said by the IRA to have been IRA members. Two were said to have been agents for the British Army and one for the Northern Ireland police, and all three were said to have been "court martialled" before being killed. The other six were described as "civilians" who had confessed either to having been agents for the British authorities or to have been involved in stealing weapons for use in

The IRA, which said its search for the "disappeared" was now over, is certain to face hostile publicity once the bodies are exhumed and the inquests and funerals begin. But many people from both communities in Northern Ireland see the timing. coming as it does in the crucial week of negotiations, as cruel manipulation of a long-standing grievance.

Most of Northern Ireland's disappeared were Roman Catholics who, the IRA alleged, acted as British army informers, including Jean McConville, a housewife and mother of ten who ish soldier during clashes in west Belfast in 1972. It was only last year that the IRA admitted that it had killed

Helen McKendrey, a daughter of Mrs McConville. tion. said yesterday: "We knew way back last year that we would be used in some way." The IRA announcement appears to fit in with confi-

By James Buxton in Edinburgh

Lists of concerns that

leading business people in

Scotland would like to see

liament show they are anx-

ious that the new assembly

may impose extra burdens

disadvantage to companies

elsewhere in the UK. The

first election to the parlia-

Their proposed agendas.

published yesterday by the

Scottish Office, also show

business people want the

parliament to improve the

country's transport system.

They do not object to the

idea of users of transport

systems paying tolls, pro-

vided the proceeds are

They also want to see

improvements to the Scot-

tish education system and

would like it to promote a

more entrepreneurial cul-

ture. They say they want to

work with the parliament

and participate in forums for

sectors of industry or on par-

Teams from 13 sectors of

were asked in January

Scottish business and indus-

by the UK government to

hamentary committees.

invested in infrastructure.

ment will be held in May.

**SCOTLAND** RULES AND SURCHARGE ANXIETY

**Business fears** 

assembly may

blunt its edge

that would put them at a son Construction.

debated in the Scottish par- Brian Souter, chairman of



Helen McKendrey, with a photograph of her mother, who had comforted a dying British soldier shot by a sniper in Northern Ireland in 1972, It was only last year that the IRA admitted it had murdered the mother of ten children Associated Press

#### A year of searching for peace

■ 1998 April Good Friday agreement signed: opens way for creation of regional assembly, north-south bodies, release of paramilitary prisoners and "decommissioning" of paramilitary weapons

■ May Sinn Fein endorses deal after vote to change its constitution and take seats in regional government; Loyatist Volunteer Force declares ceasefire; Good Friday deal endorsed in referenda north

■ July Deadlock at Drumcree when Protestant Orangemen's route along Garvaghy Road is blocked by police; three young brothers burn to death when petrol bomb is hurled at their home

■ August Car bomb planted by dissident Real IRA explodes in Omagh killing 29 people and injuring

■ September President Bill Clinton visits Omagh; Real IRA declares ceasefire: first paramilitary orisoners

■ October Uister Unionist leader David Trimble and SDLP leader John Hume win Nobel peace prize

■ December Loyalist Volunteer Force hands over guns for destruction ■ 1999 January Upsurge in punishment beatings and shootings sparks campaign to halt prisoner sses: IRA defector Earnon Collins lound murdered near his home

■ February Assembly passes proposals for 10 ministries and slx cross-border bodies, but deadlock persists over admission of Sion Féin to executive before IRA hands over weapons

■ March Party leaders visit Washington for St Patrick's Day, lawyer Rosemary Nelson dies after car bomb attack for which anti-nationalist Red Hand Defenders claim responsibility

had comforted a dying Brit- ish and Irish governments to nity to those who help locate the ordinary human decenend the impasse over the the bodies so that any evi-IRA's refusal to decommis-

> sion its arms. The deadlock is delaying creation of the executive of the new regional administra-

Even before Monday's statement, John O'Donoghue, the Irish Republic's justice minister, had confirmed that the government dence building measures of the republic was considerchoreographed by the Brit- ing offering limited immu-

tish parliament. The teams

were led by senior figures

such as lan Robinson, chief

executive of ScottishPower;

the Stagecoach train and bus

company: and Sir Fraser

Morrison, chairman of Morri-

A common anxiety arising

in the submissions is that

the parliament will disad-

vantage Scottish companies

by imposing higher taxes,

business rates and regula-

ty's policy to levy a 1p sur-

charge on income tax in

Scotland, thus cancelling the

lp cut in income tax

announced by the UK gov-

ernment in its recent Bud-

get, is strongly opposed by

the Confederation of British

petition policy, an unsym-

pathetic administration

could raise business rates.

The Scottish National par-

tory burdens.

dence gathered would not be used in future prosecutions. The UK government indi-

cated that similar measures would be considered in Northern Ireland.

Monsignor Denis Faul, a Northern Ireland priest and human rights campaigner said: "They haven't apologised for murdering these cies of a Christian burial to these aggrieved relatives." He said the IRA's statement was vague.

He added: "It looks to me as if it has been rushed out at this particular moment because it suits certain people politically to get a bit of credibility."

However. people: they've apologised tor for Sinn Fein, the politi-

Martin

McGuinness, chief negotia- in the Irish Republic.

sites which have since been built on. Republican sources said the IRA had not been able to establish the position of the Nairac, a British army offi-

"The IRA wouldn't bave

issued this statement if they

didn't intend to press on and

ensure that the bodies would

Margaret McKinney,

whose son Brian was

her joy at hearing the news

of the IRA announcement.

But Mrs McKendry said she

had received no information

on the location of the body

general whereahouts of the

graves, but many are

believed to be in bogs where

they are difficult to detect.

Some may also have been on

of her mother.

remains of Captain Robert cer, abducted by an IRA gang while working undercover in Northern John Parker, his biographer, said he had been told

by both republican and British intelligence sources that the soldier's body was dis-posed of in a pet food factory

### for a 25-year delay in giving cal wing of the IRA, said: Editorial Comment, Page 17 \$2bn order for trains to London

#### By Charles Batchelor, Fransport Correspondent

Thameslink, the train operating company with the highest level of overcrowding on the UK rail network. has put forward plans to order 350 new trains at a cost of £1.4bn (\$2.3bn) in return for an extension of its seven-year franchise.

Thameslink trains run from Brighton on the south London service, has serious don on all lines apart from

City of London to Bedford. about 80km north of the capital. This would be the second

largest UK rolling stock order to be placed after Virgin Trains' £1.85bn order for high-speed trains for its lines from Scotland to London and south-west England. Thameslink, the only

company to operate a cross- travelling into central Lon-

coast of England through the capacity shortages because of delays in upgrading lines into central London. Thameslink, in a survey

by the rail franchising office issued on Monday, was found to be running commuter trains in central London that carried 7.1 per cent more passengers than they were designed to do.

The number of commuters

the city's Underground system rose nearly 4 per cent last year. Thameslink 2000, a £600m

capacity through a tunnel under central London from eight to 24 trains an hour. which was due for completion next year, will not be ready until 2006 because of financial restructuring, said

# Cars-by-railway service revived

#### By Charles Batchelor Transport Correspondent

Motorways killed the state-owned Motorail ser-

vice, which carried cars and their occupants on long-distance train journeys between London and northern Scotland and London and south-west England. Now road congestion has prompted a revival: a new London-Scotland service was launched at a London station yesterday.

Industry in Scotland and by Motorail opened in 1955 the Scottish Chambers of and reached its peak in the Commerce, which fear it will 1960s, carrying up to 100,000 add to the cost of employing people a year. But the openpeople and attracting staff. ing of the first section of airports, travel to Scotland Although the parliament motorway in 1958 sowed the will not be able to tax comseeds of its demise. By 1995 panies and will have no when Motorail closed, it was power over the regulation of losing £4m (\$6.5m) a year. financial institutions or com-

own car back to England following a breakdown in the Scottish Highlands. Eighteen months ago. he set up Auto Shuttle Express, a company that moves cars by road

transporter.

His rail-based service. which ran its first train yesterday, will use wagons normally used for transporting new cars from the factory to the showroom. The service is unlike the old Motorail because passengers do not travel on the same train as their cars. They drop them at collection points at London's Heathrow and Gatwick

Edinburgh or Inverness. The reason for this extra Its revival is the idea of complexity is the high Graham Steele, a business- speeds at which modern business traveller to take the man who saw a market InterCity trains operate - up train when all the costs, opportunity when he had a to 200kph at present with including working time lost

by train or air, and pick up

their vehicles in Glasgow.

fast for the car-carrying are taken into account. He freight wagons, which are calculates that it would cost restricted to 120kph. However, a separate car-

launched this year by the privatised Great Western Trains between London and the far south-west of England will use a different design of wagon that will travel with the train travelled are greater. carrying the motorist and is capable of travelling at up to

Rail-borne car services are not cheap. It will still cost £360 return for a car between to inverness ~ on top of the

London and Glasgow or Edinburgh and £395 return cost of tickets for the driver and for any passengers. But Mr Steele believes it will still be cheaper for the

difficult time moving his 225kph planned. This is too by the longer road journey, an executive £1,106 to drive to Scotland compared with carrying service due to be £407 to to travel with the car on the train.

Britain may suspended Motorail services in 1995 but they have remained popular elsewhere in Europe, where distances

Deutsche Bahn, the German railway, said it carried about 200,000 cars and 500,000 passengers on its 125 Motorail routes last year. France still has a dense network in spite of the extent of its motorways and carried 252,000 cars in 1997.

Ironically, the reason for the French launching Motorail in 1957 was demand from British motorists wanting to avoid the drive to holiday destinations in the



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various on filling its ewe User That has meant the liter see others of one hank have that classe beam able to use ancher bank's machines Harry of penalty

MOBILE PHONES by Chris

Handse The penetration rate of r

There is no doubt about the lext

labest craise sweeping Portugine. To mobile phones. Growth in the market has liet been explosive in the past, factwo years, much to the sur- proprise of industry experts indeed, there were more mobile phones per head in be-Periogal at the end of hist Year than in any other Eurobean country apart from the North: states and Italy. The penecration rate was 20 per cent compared to just 6.7 per cont two years before. The rapid page of growth is curprising perhaps, in a the country whose gross domes sti tic product per capita is just ite 70 per cent of the European

average and where the pene-

tration of fixed telephone



There are more than 3m mobile

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# PORTUGUESE BANKING AND FINANCE

WEDNESDAY MARCH 31 1999

# Travelling on the euro train to prosperity

Membership of the EU and, in particular, participation in Emu are the catalysts that have done most to stimulate Portugal's economy, writes Peter Wise

Electronic doors open automatically for visitors to Sociedade Interbancária de Servicos (Sibs), the company matic teller machine netmost advanced in the world. On display inside, prototype ATMs, equipped with full computer keyboards in steel and large colour print-outs, provide services ranging from driving licence applica- off. But eventually the whole tions to internet browsing.

Only a few hundred vards from the group's headquarters, housed in the same glearning black tower block as the Lisbon stock exchange, a startlingly different aspect of Portugal emerges. In a rundown shanty town, dozens of famihes among the poorest in Europe, subsist in shacks roughly nailed together from old planks and rusty sheets of corrugated iron.

The deep gulf between these neighbouring Lisbon districts is a symptom of the rapid transition Portugal is undergoing as strong economic growth brings the country closer to average European living standards. Since 1985, average gross domestic product per capita has grown from just over half to about 70 per cent (about Es2m or €10,000) of the European Union average

Some sectors of the econward, often benefiting - like the ATM network - from a however, exposes an increasincluding pockets of extreme poverty, an inefficient health system and low educational European peers.

Vitor Bento, head of the escudo, exports to the EU, Public Debt Management Institute (IGCP), says these contrasts, which also exist in are a sign of positive change work, acknowledged as the in Portugal, because every section of society cannot advance at the same pace. Portuguese products. Manutrain," he says. "The rear compensate for the loss of an carriages only start moving after the locomotive has set train arrives at the same · destination."

> Membership of the EU and, in particular, participation in economic and monetary union are the catalysts that have done most to stimulate Portugal's transformation. "Adopting the euro was like putting a lock on the door," says Rui Martins dos Santos, chief economist with Banco Português de Investimento. "There was a cost involved, but the benefits include smaller insurance premiums - that is, lower interest rates - and, above all, security."

'Strong economic growth is bringing the country closer to average European living standards'

He says the most imporspeculative raids against our Portugues. currency. Disciplining the late-starter's advantage in economy to qualify for the the sharp fall in interest leapfrogging stages of devel- euro has already required a rates that occurred as Portuopment. Their progress, long period of exchange-rate gal prepared for Emu. It led stability, involving a subingly stark contrast with stantial overall appreciation of servicing the public debt. more backward areas, of the escudo in real terms and the abolition of the contributing to strong eco-"crawling-peg" and one-off nomic growth, which neaked

percentage of GDP," says tant security provided by the Miguel Beleza, a senior econ- to be relatively expansive if omy are surging rapidly for- euro is "protection from omist with Banco Comercial Portugal is to continue This was partly because of Europe.

to big reductions in the cost

than 80 per cent of Portugal's foreign trade, have that runs Portugal's auto- more developed countries, been growing faster than the average rate of European economic growth, reflecting a gain in market share for "Portugal's progress is like a facturers have been able to exchange-rate advantage by improving productivity, says Mr Bento. Only in this way can Portugal catch up with the rest of the EU. Portugal, once considered

which accounts for more

an outside candidate for joining the euro-zone, surprised many by complying so comfortably with the Emu criteria. More genuinely surprising, perhaps, was how painless the process proved. "Portugal was the only country able to reduce its budget deficit to below 3 per cent of gross domestic product (the Maastricht criteria) without reducing current government spending. This was achieved while actually increasing expenditure as a

eased government spending by providing funds for improving the balance sheets of state companies that have not yet been sold. The EU Commission feels

Portugal should now be more aggressive in reducing the public deficit, which the government aims to cut from a projected 2 per cent of GDP this year to 0.8 per cent in 2002. But Antonio Guterres, the first prime minister to take office from the new generation of modernising socialists that now dominate EU governments, argues that public spending needs

playing an important role in equivalent of 8.5 per cent of Lower interest rates are also GDP a year. The negotiawith an agreement on

funds, up from 10.6 per cent block an agreement unless a in the previous six-year formula was found to spare the country sharp cuts in regional aid. Fearing Portugal would be the country hardest hit by EU funding

After scoring what officials described as "a lastminute penalty" in the talks, Mr Guterres said Portugal had achieved all its objectives by securing 10.8 per cent of total EU structural

period. Portugal would receive an average of Es650bn a year (€3.2bn), up from Es637bn previously, he

proposals for the period 2000 "European structural to 2006, he pressed hard for funds have been crucial in concessions to soften the helping Portugal move closer to average EU levels impact of proposed reducof productivity and income. But we are still one of the poorest EU countries, facing a significant gap in relation to the European average," said Francisco Selxas da Costa, European affairs secretary in the Socialist gov-

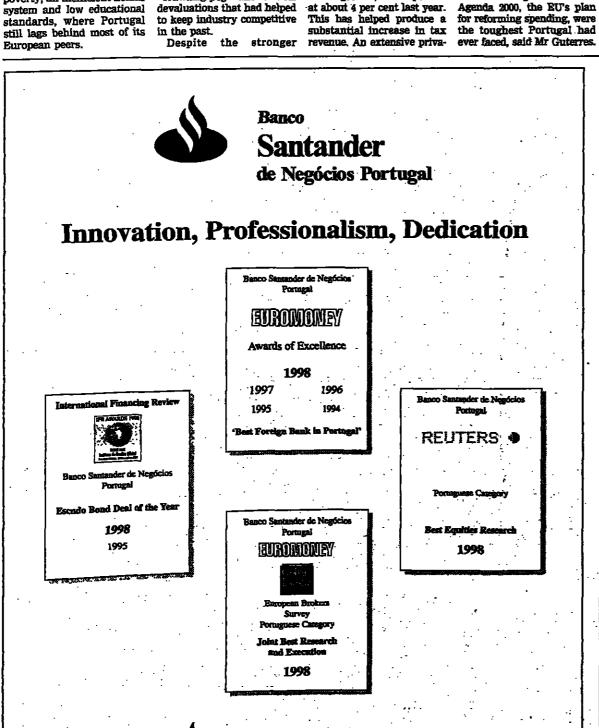
The government had been

prepared to fight because the Agenda 2000 proposals focused more on cutting structural funds, the main source of support for Portugal, than they did on reduc-ing farm aid, from which Portugal derives almost no benefit. According to the Centre

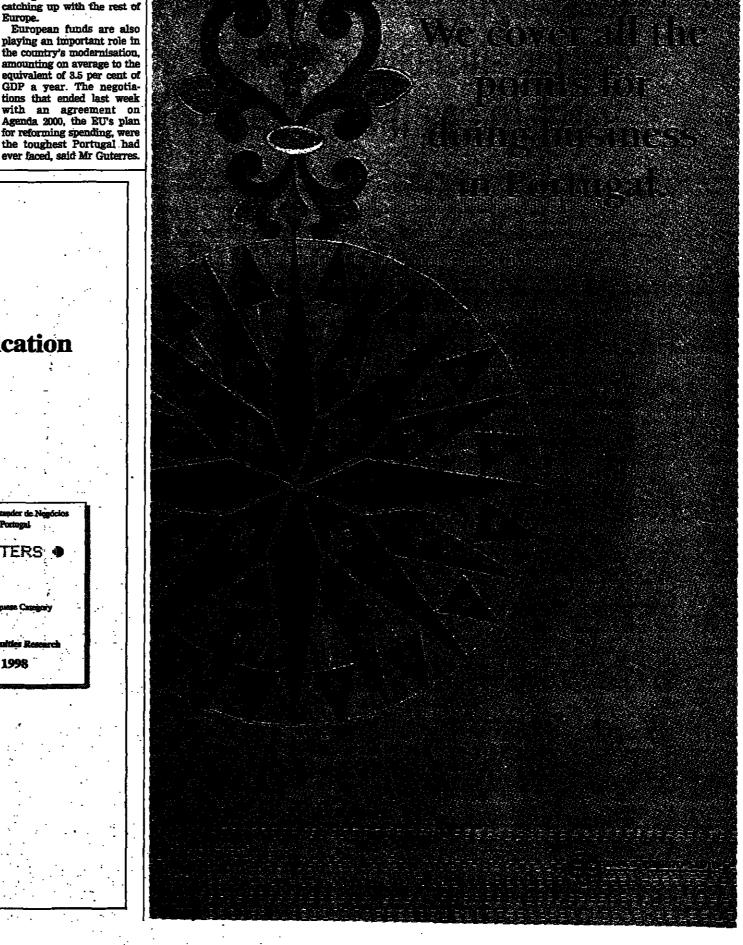
for European Policy Studies. although Portuguese farmers they benefit the least from the Common Agricultural Policy. This is because CAP

production, which are not average six times better off than their Portuguese counterparts, the Centre says. "The modernisation of Por-

tugal is to the advantage of the whole of Europe," says Mr Bento. "Germany, for example, is our biggest supplier. German and other European companies benefit directly as Portugal becomes more. European structural funds should be seen as an



Santander Investment



(% of total) Deposits

### Brussels warns about danger zone

Although the economy is in good shape, the European Commission is disappointed that the budget deficit will not be cut more rapidly The same is true of the

In January, the European Commission expressed disappointment that Portugal was not showing greater ambition in cutting its budget deficit. "In view of the current high level of economic activity, a more rapid decline in the deficit ratio could be accomplished," it

While congratulating the government on planned reforms to the national health service, the public administration and the social security system, the Commission warned that these all remained risk areas that could lift public spending into the danger zone.

When high economic growth begins to falter, Brussels warned, the deficit could rise above the limit - 3 per cent of gross domestic the euro-zone are committed to maintain under the Emu stability pact.

Inflation is also a concern. Portugal and Ireland are the inflation is above the 2 per cent "price stability" target set by the European Central Bank. Portugal's February pointing, with the monthly and the annual average rising to 2.9 per cent.

Mr Sousa Franco can take comfort from the knowledge bly always be a little higher that these problems are sideeffects of the positive transformation that the Portuguese economy has undergone as a result of the get is 2 per cent over the country's consuming ambition to adopt the euro.

António Sousa Franco, the Inflation is running higher finance minister who has than in other euro-zone budget deficit, which the presided over Portugal's suc- countries because economic cessful bid to participate in growth is also much stron-European monetary union. ger. After peaking at about 4 believes that the economy per cent last year, GDP has performed better over growth is expected to decelthe past three years than erate to below 3.5 per cent ever before. But he is not this year and to 3 per cent, short of reminders that a season of plenty is also a long-term trend, in 2000. In time to set store for the effect. Portugal is growing more than one percentage point faster than the Euro-

pean Union average. Growth is being driven by domestic demand. Private and public consumption rose 4.5 and 3.5 per cent respectively last year, accounting for 75 per cent of GDP growth, and replacing investment, which grew 9.4

Portugal's stability programme

	1999	2000	2001	2002
Real GDP growth (% change)	3.5	3.2	3.2	33
Budget delicit as % of GDP	2.0	1.5	12 .	0.8
Public debt as % of GDP	56.8	55.8	54,7	53.2
inflation (% change in CPA	2.0	20	· 2.0	20

over the past three years as Portugal prepared for the euro. Never before have the only euro countries where Portuguese benefited from such low rates on a sus-

inflation will run slightly higher than in the rest of the rate remaining unchanged euro-zone, "Because Portugal is engaged in a process of Europe, inflation will probaover the next few years," savs Antônio de Sousa, the governor of the Bank of Portugal. The government tar-

government aims to cut from a projected 2 per cent of GDP this year to 0.8 per cent in 2002. Catching up involves a large public investment programme, which places restraints on reducing the deficit, says Mr de Sousa. But he also urges an effort to lower the deficit as much as is prudently possible to provide a safety net for the

"Structural questions, such as social security and health spending, should be addressed as soon as possi-ble." he says. But he sees no cause for alarm. "Portugal has a very good record of trying to solve problems some years in advance rather than at the last min-

	1999	2000	2001	2002
Real GDP growth (% change)	3.5	32	3.2	3.3
Budget delicit as % of GDP	2.0	1.5	12 .	0.8
Public debt as % of GDP	56.8	55.8	54,7	53.2
inflation (% change in CPf)	2.0	20	· 2.0	2.0

When We Talk About European

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stimulated by a sharp fall in able to make such a smooth interest rates, which have transition to monetary been cut by more than half

In this climate, economists consider it inevitable that catching up with the rest of

Consumption has been ute. That is why we were

The danger of Portuguese inflation running out of step with the rest of Europe is in the potential impact on higher labour costs could inflict on competitiveness.

In January, the government agreed to a 3 per cent wage increase for public partly to compensate for inflation in 1998, which was substantially higher than the official target. Taking into account tax and other benefits, economists estimate the public sector wage bill, the biggest item of government spending and a sector, will increase more the gap.

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than 7 per cent this year. Before Portugal set its sights on the euro, the impact of rising labour costs on exports used to be offset by devaluing the escudo. Like most Portuguese economists, Miguel Beleza, a senior economist with Banco Comercial Português, is happy this is no longer an option. "The drawbacks of the euro are vastly smaller than the advantages." he says. "Portugal would be in much worse shape if we were outside the common

Inside the euro-zone, the only means to prevent labour costs reducing competitiveness is through fiscal measures, says Mr Beleza, a former finance minister and former governor of the Bank of Portugal. "If this does not happen, we will have a more painful correction through slower growth and lower employment."

In disciplining the economy for the euro. Portugal has already learned to live with a stable exchange rate for more than three years and most exporters have succeeded in compensating for the loss of a weak currency advantage by improving productivity, quality and

Only by bettering productivity in this way can Portugal catch up with the average living standards of the EU, says Vitor Bento, head administration workers, of the government department that manages Portugal's public debt

Since 1985, average ner capita income in Portugal has grown from just over half to about 70 per cent of the European average. The Portuguese, now sharing a common European currency, next four years, down from benchmark for the private appear determined to close

BANKING by Peter Wise

# Gentle consolidation

The question of foreign ownership of banks is a sensitive issue for the authorities

and 1996 brought about 80 per cent of Portugal's banking assets under the control of five groups. But as a wave Caixa Geral de Depósitos of huge mergers in Europe reshapes banking on an international scale, even Banco Pinto & Sotto Mayor Portugal's biggest banks are beginning to look small by

A series of take overs in 1995 Portuguese banks: market shares

comparison. The advent of the single European currency that is accelerating mergers and acquisitions in banking and other sectors across Europe will inevitably lead to further consolidation of financial groups in Portugal, says Elizabeth Rothfield, a managing partner and research co-ordinator with Midas Investimentos, a Lisbonbased investment house.

"Although Portugal has already taken important steps towards bank concentration, the market remains relatively fragmented in the context of the euro-zone." she says. "Consolidation is likely to be domestic at first. But the next logical step would be the creation Iberian banking groups."

The question of foreign ownership is a sensitive issue for the Portuguese authorities and government officials have made it clear that they would prefer that the "decision-making centres" of big Portuguese groups should not move

As a participant in the single European market, the government could not ultimately prevent such a development. But it has moved a new counter on to the board that is expected at least to inhibit a hostile foreign takeover bid for a big Portuguese bank. State-owned Caixa Geral de Depósitos. Portugal's biggest bank with an overall market share of about 25 per cent, will not be "a mere spectator" in the expected consolidation of the financial sector, says Fernando Teixeira dos Santos, the treasury secretary.

omists, is that CGD could aging partner and head of help defend a Portuguese bank against a hostile takeover bid by becoming an the possible effects of the important shareholder, so-called millennium "bomb" "This is at best a deterrent on bank information that could persuade a for- systems. eign group not to act against the express wishes of the government," said a Lisbon

The implication, say econ-



Antionio Champalimand (left): could determine future of banking. Diego Hernando (right): banks are the biggest users of IT

European bank."

A defence against foreign control is part of the government's rationale for keeping CGD out of the privatisation process that has returned the rest of the financial sector, nationalised after the 1974 revolution, to the private ownership. "It would be very unwise for a country such as Portugal to allow the possibility of 100 per cent of its financial sector to be subject to mergers or acquisitions determined by the private sector," says Antônio Sousa Franco, the finance minister.

Consolidation within Portugal is expected before any cross-border bid and the first move is thought to be imminent "If it doesn't happen very soon, concentration will be delayed until next year. says Diego Hernando, a manresearch with Midas Envestimentos. This is because of

"Banks are the biggest

could muster, it would not time for thorough testing of be enough to fight off a big year 2000 compliance. If no agreement is reached in time, the consolidation process is likely to be postponed until next year."

Banco Comercial Portuguės, Portugal's biggest banking group after CGD and considered the most likely initiator of consolidation, needs to increase in size to take full advantage of its investment in information technology, says Miguel Beleza, a senior economist with the group.

Analysts says BCP has

built up capital reserves that would allow it to make a cash acquisition of up to Es170bn without falling below the minimum required capital adequacy ratios. But it is 80-year-old António Champalimaud, a veteran entrepreneur and Portugal's richest individual, who could

determine the future shape

of Portuguese banking. His financial group. headed by the insurance company Mundial Confianca, accounts for about 20 per cent of total bank deposits and is seen as the most likely acquisition target. Mr users of information technol- Champalimaud is under- shareholdings," says ogy in Portugal." says Mr stood to have been Antônio de Sousa , the govbanker. "But however much Hernando. "Any acquisition approached by BCP, Banco ernor of the Bank of Portu-

and Banco Espirito Santo, two other leading financial groups, with separate merger proposals.

His group, which includes Banco Pinto & Sotto Mayor and Banco Totta & Acores, two big commercial banks, is considered to have the weakest management and the least coherent structure in the financial sector, making it the group most vulnerable to take-over.

Any consolidation in the relatively small world of Portuguese banking is expected to be "gentle and civilised." in the words of one analyst. But so far Mr Champalimand appears not to have reached a satisfactory agreement with any of suitors. Analysts expect he would agree to a merger in return for a substantial but minority shareholding in the new group.

A new Spanish dimension has been added to the many possible concentration scenarios in Portugal by the proposed merger between Banco Central Hispano and Banco Santander, two of Spain's leading banks. BCH: owns about 13.8 per cent of Portugal's BCP and BCP holds about 9 per cent of

BCP has expressed its support for the merger. But the move has a created a situation in which BCP is compet-. ing in its home market with a Spanish bank - Santander has a relatively small Portuguese operation - that is about to merge with its main No one is risking a fore-

cast of what alliances will emerge from all the possible permutations for consolidation. "We may see outright mergers or some form of 'networking' involving cross

STOCK EXCHANGE by Christopher Brown-Humes

# Uncertain times for bourse

The exchange's future is being questioned as it faces up to the question of whether it goes it alone or joins an alliance

has just taken over, a new trading system is being bedded down, and there is persistent talk of a restructuring or privatisation to make

There are also questions over the exchange's future at a time when other European bourses are forming alliances, most notably Lon-don and Frankfurt. Like other smaller European bourses, Lisbon will have to face the question of whether it goes it alone or joins an alliance to prevent trading migrating elsewhere.

The bourse is currently a not-for-profit entity, but the widespread expectation is that its legal constitution will change. "The bourses should be profit-making entities, that is commercial operations or limited companies," Jose Nunes Pereira, chairman of the financial markets committee, said recently.

The expectation in the broking community is that change will come sooner rather than later, and possibly in the next three to six months. But no-one is quite sure what form the restructuring will take, and whether it will amount to a full-scale privatisation and the issue of shares. Analysts believe Alvaro Dàmaso, the new stock exchange chairman, who took over on March 17, favours a "more flexible" structure for the exchange than the one being worked on by the government.

"We think most of the accumulated profits in the stock exchange will revert to the state. But a small amount will go to each of the members who have paid an initial fee to have a seat on the exchange," says Eliza-beth Rothfield, a managing partner of Midas Investments, a leading Lisbon Once the privatisation

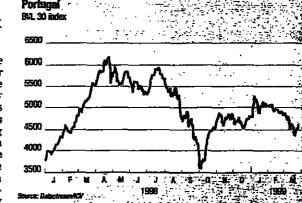
These are uncertain times question is resolved, the for the Lisbon stock bourse will have to consider exchange. A new chairman its European role, given the consolidation unleashed by the euro and expectations that trading in large stocks will gradually migrate to big exchanges. Small bourses on Europe's other fringes are already facing up to these issues, as shown by Swedish lish a pan-Nordic trading

"It's clear that over the next five to 10 years, Portugal on its own doesn't really make much sense, particularly if larger markets are getting together," says Ms

A sign that bigger could mean better came earlier this month when the Oporto Futures and Options market, known as BDP, signed a memorandum of understanding with representatives of French, Spanish and Italian derivatives markets. It outlines the terms of BDP's membership of Euroglobex. an alliance between these four markets, which envisages cross-listings of future

and option contracts. Meanwhile, the Lisbon equity market has cooled somewhat from the feverish levels that took it to a record high in April 1998. At that point share prices had tripled in value in two years, and there was a 50 per cent rise in the first four months of last year before the BVL 30, Portugal's main index, reached its peak of 6,176 on April 22, 1998. The unprecedented rise was driven primarily by falling interest rates, but understandably it gave rise to concerns about

"froth" and "sustainability". "People in the streets were discussing the stock market. When you hear them saying this stock is cheap because it's only 5 euros, while this one is 10 euros, it means they don't know What they are talking about," said António de Sousa, governor of the Bank of Portugal



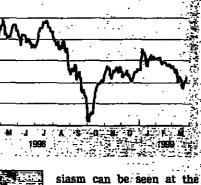


capitalism has come to Portugal

Towards the end of March this year, the BVL 30 was back down at around 4,550, some 26 per cent below its peak. Unlike some other European bourses, the market has never fully recovered from a big fall last autumn caused by economic instability in Asia and Russia. It has subsequently been hit by concerns about the Brazilian economy because many Portuguese companies are significant investors in Brazil.

The number of private Portuguese investors holding shares has risen dramatically as a result of the privatisations of the past few years. For example, 700,000 people held shares in Electricidade de Portugal, the national power utility, at privatisation - some seven out of every 100 of the population. "Popular capitalism has come to Portugal," says Ms Rothfield.

One sign of the new enthu-



vate investors huddle round flickering screens in the ing how their investments are performing and occasion-ally instructing brokers on mobile phones. Around 50 per cent of the market is held by foreign investors. This reflects the fact that over the past two years the country has joined the mainstream, after being officially upgraded from an emerging market to a devel-oped market more than a

per cent weighting in the Morgan Stanley Capital International's Europe The change means that the pool of capital that can be attracted to Portugal is much bigger. But analysts suggest it is creating a twotier market, and causing liquidity problems. International investors tend to concentrate on a small number of large stocks and sectors particularly telecoms, banks, and utilities - and they

year ago. It now carries a 1.8

smaller companies. Analysts say the Portuguese market is reasonably valued - and there is scope for it to move higher in the absence of international turbulence. This is because there is widespread expectation of consolidation, particularly in sectors such as: banking, construction and pulp and paper. There is also scope for further corporate

show little interest in

The penetration rate of mo There is no doubt about the extent There is no doubt about peanicles craze sweeping Ports pean-

been explosive in the past - Lights two years, much to the sur-Drise of industry experts. mobile phones per head in . Portugal at the end of last Year than in any other Farropean country apart from the control states and Italy. The penetration rate was 50 per-

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GLOBALISATION by Peter Wise

#### PORTUGUESE BANKING AND FINANCE III

### Venturing abroad in the spirit of the early navigators

Portugal last year ranked among the 15 nations that invested most overseas, a considerable feat for one of western Europe's poorest countries with a population of only 10m

The Portuguese could convincingly lay claim to the Portuguese first landed other great 15th and 16th foundations for a trade-based empire that endured for 500

Displaying the same ven-Pedro Ivares Cabral, who "discovered" Brazil in 1500, Portugal last year ranked among the 15 nations that invested most overseas, a considerable feat for one of western Europe's poorest

Brazil, five centuries after having invented the concept of globalisation. Vasco da focus of the country's over-Gama, Fernão de Magaihães seas business. Portuguese (Magellan) and the country's companies last year committed themselves to Brazilian century discoverers laid the Investments totalling more than \$4bn and are expected to invest at least another \$1bn there this year.

"Portuguese businesses turesome spirit that moti- are keenly aware that to vated navigators such as compete in a global economy you need to build global companies," says Guilherme Costa, head of ICEP, the Portuguese Institute of Investment, Trade and Tourism. "Their strong expansion overseas is an indication of

tiveness, management expertise and productivity they have achieved."

Portugal's biggest investors in Brazil include Portu- huge market with huge gal Telecom, which last year acquired a controlling stake in Telesp Celular, a mobile telephone operator, and the national power utility, which has made Brazilian

The Sonae group, a conglomerate led by Portugal's biggest retail distribution group, is one of the top supermarket chains in Brazil, a market 16 times bigger than Portugal. Portuguese cement, banking and other

groups have also made sig- try where Portuguese businificant Brazilian acquisi-

Brazil, besides being a

potential growth, shares a language and other cultural affinities with Portugal that make it a natural target for Electricidade de Portugal, investment. Brazil's financial crisis has not deterred Portuguese groups, which investments totalling are investing in the Es135bn. long-term potential of Brazil, says Mr Costa. In fact, the devaluation of the real has provided big savings for companies, such as Portugal Telecom, which have opted for early repayment of money borrowed in Brazil.

Brazil is not the only coun-

nesses are investing. Spain, a natural market for Portuguese goods, is mainly a focus for commercial and marketing investments. But has invested more than the Sonae group's acquisition of Tafisa, a Spanish timber products company, marked the beginning of a

process that has elevated Sonae Indústria from a relatively small company on an international scale to the world's leading producer of wood conglomerates. Corticeira Amorim's overseas investments have established the northern Portuguese group as the world's biggest cork producer.

Eastern Europe is another

area to benefit from Portuguese investment. Over the past four years, Jerônimo Martins. Portugal's second largest supermarket group.

\$200m in setting up the largest food retail chain in Poland, operating more than 400 stores with estimated annual sales last year of Eastern European markets are less competitive in many sectors than any of the

European Union markets," says Pedro Soures dos Santos, head of the group's eastern European operations. "That makes them a natural year. target for Portuguese compa-

nies finding there is no room

By moving into eastern Europe we stand to benefit all over again from the flow of EU funds that has stimulated such strong economic growth in Portugal." Other Portuguese compa-

investments in Poland, Hun- as Sonae. gary. Russia and neighbouring countries. Macao, Portugal's last remaining colonial possession, which returns to used as a springboard for investments in Asia. Portu-gal was also the biggest foreign investor in Tunisia last

Portuguese companies are investing abroad as their impact on jobs in Portugal.

Big spenders start

alarm bells ringing

HOUSEHOLD DEBT by Christopher Brown-Humes

left for expansion at home. home market becomes satufor growth in Portugal diminish. Portugal Telecom envisages that 25 to 30 per cent of the group's earnings will originate abroad by 2002. The share will be much nies have followed with bigger for retail groups such

Economic growth in Portugal and, in particular, a sharp fall in interest rates, have provided business China in December, is being groups with the financial capacity to invest abroad. Industrial companies also benefit from savings as Portuguese labour costs increase. This has led to debate over the potential

ATM SYSTEM by Christopher Brown-Humes

### Machines give super service

ATMs have usurped some of the post office's functions and diminished the need for direct debits by standing order

Ask: a Portuguese businessman to name a sec- is called Sociedade Interbantor in which Portugal leads caria de Servicos, or SIBS. It the world, and the somewhat has 30 shareholders represurprising reply could be senting Portugal's retail our ATM network".

The country boasts an extraordinary number of tor-general, says the system automated teller machines for a population of just 10m ATM is not just a cash people, with a network machine but a service reaching deep into remote point". A second strength is rural areas.

The machines are heavily used and they provide a losses than in other counmuch wider range of ser- tries. "Bank managers seem vices than just cash with- to be confident about issuing drawals or balance updates. cards," he says. Spain may Need rail tickets? Go to your have more ATMs per capita, local cash machine. Want to but their usage is less than pay your electricity bill?. half the Portuguese average, Ditto. Got a tax bill to settle? Same again.

The result is that the ATM system has usurped some of the functions of the post office and diminished the need for direct debit transactions by standing order. It has also meant explosive debit cards in issue.

achieved this position? The answer is the way the ATM network, called Multibanco, as a unified, inter-bank system, rather than a proprietary arrangement with each bank seeing competitive advantage in doing its own thing. That has meant the customers of one bank have always been able to use another bank's machines without penalty.

banking operations.

Felipe Santos, SIBS direc-

has thrived because "the good risk control and fewer fraud and counterfeiting

Use of ATMs is actively in Portugal's mobile phone encouraged by the banks because transactions cost less than half the expendi- under the country's popular of electronic cash. Money

'Electricity, phone, water, insurance, local rates, even fines can be paid by How has the country using the ATMs

charity.

ture on processing cheques. was set up back in the 1980s Banks tend to charge a fixed annual fee for usage, rather than charging every time a machine is used.

Mr Santos says the bill payment system is particu- machine. larly widely used. You can phone, water, insurance, and

pre-payment scheme, mobile phone users are able to transferring money from

He also notes that without

work, the explosive growth

the sophisticated ATM net-

sector would not have been

possible. This is because,

pay for your electricity, important part in the development Portugal's sophisti- tion dispensers will be much local rates, for example. You cated motorway toll system. greater. Functionality will delay the consumer too

mobile operator via a cash

account to be debited automatically when he uses the motorway. The ATM network has also

Felice Santos: new machines will allow users to tao into the internet

enabled Portugal to become a pioneer in the development can be easily loaded on to an electronic purse card via an ATM. But the public has shown little appetite for

STRS is at the forefront of efforts to develop ATMs further. Indeed, a new genera-"charge up" their phones by tion of machines look more like computer keyboards their accounts to their than traditional ATMs.

machines will allow users to utes is the longest we can ATMs have also played an tap into the internet and their possibilities as informacan even pay fines or make This scheme relies on an increase, too. He is particu- much".

one caught out? Because the

market entered a new stage

of ferocious competition,

tion of handset prices, and

tugal's penetration rate dou-

all taking hold.

donations to your favourite electronic tag arrangement larly excited about the possiand allows a driver's bank bilities of linking ATMs with government departments. In due course, this could allow ATM users to collect their social security entitlements or their driving licence via the ATM, greatly assisting

the efficiency of the Portu-

guese civil service and helo-

ing people to bypass its unwieldy bureaucracy. There is one significant nstraint on all this – and change and the capability that is people's time. Mr Sanhas not yet been widely tos acknowledges the dangers of long waits and impa-

allow for the transaction.

We don't aim to offer

very complex services which

tient queues Users will be allowed to banks. dally over the new generation of information-only machines. But where cash and payments are con-Mr Santos says the new cerned, he says, "two min-

earlier in the decade.

The government has set up a special department to help people who are seriously in debt Booming sales of cars and consumer durables are testimony to the change in attitudes. The surge in spending has inevitably hit the household savings ratio, cutting it

Antônio de Sousa, goverfrom 16 to 17 per cent at the nor of the Bank of Portugal. beginning of the decade to 9 has warned several times in per cent now. recent speeches that conumer spending is growing

too rapidly. The central bank has taken its first steps to cool the situation by forcing the country's banks to increase their provisions for consumer credit by 0.5 percentage points from 2 to 2.5 per

Very little seems to threaten

Portugal's benign economic

outlook these days. But, if

there is a niggle, it is over

the rapidly rising level of

household debt.

ment has just set up a special department to help people who are seriously in

growth in recent years

The trend, which has been particularly pronounced in the past two to three years. reflects lower interest rates. higher real incomes and enormous pent-up demand.

Mr de Sousa notes that in the 1980s there was no con-

But the legal framework has been relaxed and interest rates have fallen dramatically from levels prevailing

time in a world where consumer credit is a big thing in Portugal," says the bank

He is particularly worried about the impact on the housing market. "Three years ago you could afford a certain type of home," he

Moreover, last year was the first time household credit amounted to more

than 50 per cent of the total credits given by banks.

In addition, the govern-

Mr de Sousa stresses that it is not the absolute level of consumer debt that is worrying so much as its explosive

sumer credit market in Portugal because of legal have moved lower from sign is that household debt restrictions, the high cost of borrowing and lack of appetite for such lending by the

"We are living for the first



António de Sousa: warned that

Mr de Sousa savs: "Year or eight years interest rates gal has come to a warning quarter to quarter and levels are approaching the month to month. A lot of European average for the people have not experienced even one rise in interest

"What I have tried to indicate is that there will be an end to this trend. You cannot expect the cost of debt to if his warnings go unheeded, continue to go down. The probability that interest see if the banks are taking rates will go higher in the appropriate care of the next five to 10 years is risks they are incurring," he

"Nowadays, you can afford a much better home, but that is with interest rates where they are today. In five years time you could be faced with monthly payments that are beyond your

Mr de Sousa is not the only person concerned. Mig-uel Beleza, a senior economist with Banco Comercial Portugues, the country's biggest listed bank and himself a former central bank governor, says: "The level of indebtedness is not enormous today. But problems would arise if it carried on growing as it has been

Signs of "overheating" are not easy to find, though. Although there was some speculative froth in the stock market early last year it has since evaporated. And as yet there has been no increase in bad debts, which remain at remarkably sub-

Indeed, the nearest Portu first time. Nevertheless, the worry remains that bad debts will tick up once the interest rate cycle turns.

"The only thing we can do is

**MOBILE PHONES** by Christopher Brown-Humes

### Handset market grows rapidly

The penetration rate of mobile phones last year in Portugal was 30 per cent

gal – mobile phones. Growth in the market has been explosive in the past two years, much to the surprise of industry experts.

Indeed, there were more mobile phones per head in Portugal at the end of last year than in any other European country apart from the Nordic states and Italy. The penetration rate was 30 per cent, compared to just 6.7 per cent two years before.

The rapid pace of growth is surprising, perhaps, in a country whose gross domes-tic product per capita is just 70 per cent of the European average and where the penetration of fixed telephone lines has never been as



There are more than 3m mobile

There is no doubt about the extensive as in other Eurolatest craze sweeping Portu- pean countries. But it reflects both the Portuguese love of technology and other factors that, with hindsight, provided solid foundations for the market lift-off.

Mobile phone operations began in Portugal in 1989 when TMN, a subsidiary of Portugal Telecom, was launched. Three years later, the market gained some momentum when the GSM standard was adopted, and a second participant, Telecel, entered the fray. But even then, mobile phones were still very much a luxury. item and sales were slow to pick up.

gest spur to the market came in 1995 when TMN became the first company in the world to introduce the pre-paid package for mobile phones. The practice, since adopted by all the other operators, has proved to be extremely popular. For operators, it means no bad debts. For customers, it means their phones in advance, either by calling a special phone number or using a calls. "The pre-paid concept cash machine to transfer a is the most profitable means

This gives customers control over costs, and they can see the value of any remaining call time on their phone screens. They can usually make instantaneous credit operator it bought last year. transfers from their bank



credit to the phone operator. of reaching lower usage cusbra, a vice-president of Telecel. Portugal Telecom will the effects of peer pressure soon adopt the pre-paid system of the Brazilian mobile

At the end of 1996, consenaccounts to their operator, sus estimates suggested that bled from 15 per cent at the although occasionally there the mobile penetration rate end of 1997. Moreover, a of growth, the number of are delays in the process. for Portugal would only be third participant, Optimus, mobiles will overtake the During the wait customers about 10.5 per cent at the entered the market, and number of fixed line phones can receive only incoming end of 1998. Why was every- used aggressive price cuts as as early as next year.

The result was heavy price cutting all round. Portugal Telecom reckons TMN's average prices fell by 26 per At the end of last year, TMN led the market with . 1.42m subscribers, more than Telecel came a close second

with 1.37m subscribers,

while Optimus had nearly

300,000 customers - a credi-

a way of gaining a foothold.

launched only in September. "We think there is room in the market for all three operators. We estimate that in will grab a third of new customers," says Joao Pina Rebelo, an analyst with Banco Portugues de Invest-

The challenge for all operators will be maintaining margins at a time of contining average revenues per user. Most new subscribers are not such heavy users of mobiles as existing ones. Margins will be held only if operators are able to lift subscriber volumes, cut costs, technology.

Where does the market go

next? "This year Portugal will have a penetration rate of 40 to 44 per cent. In the longer term, we think 70 to 80 per cent could now be possible," says Francisco Murteira Nabo, president of Portugal Telecom. At that rate

#### CONSOLIDATED RESULTS 1998

100% growth, based on an aggressive business increase, an accurate cost control and a tight financial management.

"In 1998, Banco Mello achieved

	   <del></del>	1997	1998	% CHANGE
Audit	NET ASSETS	1.302	1.401	+8%
ACCOUNTS	NET LOANS	559	729	- +31%
(PTE billion)	EQUITY	68	80	+18%
	NET BANKING REVENUE	53	62	+18%
	CASH-FLOW	20	27.	+35%
	NET PROFIT	3,2	6,5	+100%
	Earnings per Share	48\$98	83\$88	+71%







**HEALTH SMOKING** 

# Warnings not a patch on drugs

Pharmaceutical companies are backing the anti-tobacco campaigns of governments and international agencies as they sense a new global market opening up, writes Peter Pallot

Britain's 12m smokers are tailored advice programme. tobacco control lobby follows a tar cigarettes. Benson & Hedges about to be blitzed again More significant, however, is by health campaigners. the way the companies are fund-by health doctors which, speakers ince Extra Mild King Size were This time, however, carrots rather than sticks will be in evidence. From the beginning of April health authorities will have funds to start free distribution patches designed to "unhook"

The move, foreshadowed in a government policy paper last December, is part of a £60m (\$98m) drive to curb a habit responsible for one in six of all smokers for counselling. A ment manufacturers. week's starter supply of patches Dr Peter Anderson, regional will be free to the financially dis- adviser to the WHO, told 2,000

While the UK government publicity talks up its new "quit" service, the drugs companies in the private sector can be expected to cause the biggest stir.

The three manufacturers of nicotine replacement therapy -SmithKline Beecham, Novartis and Pharmacia & Upjohn - have size within a year to £80m as the anti-smoking drive takes off.

companies gauge market growth is given by SKB's NiQuitin CQ patch: in November 1998 the company spent £12m launching the product, which includes a

ing governments and international agencies in a commercial war against the tobacco barons. Along with Glaxo Wellcome, it is backing research studies and nicotine replacement publicity drives with a common aim: to reduce the number of smokers. Tobacco companies want the reverse. Thus two powerful industries are coming into

is soon to launch an anti-tobacco deaths. For the first time, family drive across Europe with about doctors will be able to refer \$1m given by nicotine replace-

direct conflict.

Conference on Tobacco or Health that the pharmaceutical industry's expertise "would get popular support and cultural change for action" against tobacco.

Last month's meeting in Gran Canaria was strongly sponsored by drug companies. Chief among these was SKB, which has sniffed a big new market opening trained more than 4,000 pharmaup. It is expected to double in cists in the US in how to approach customers and persuade them to quit. It is An idea of how pharmaceutical funding a European Union research project in which 10.000 smokers have been quizzed in depth about their

Commercial backing for the

admitted, had achieved little.

For all the widespread knowledge that tobacco can be lethal. more cigarettes than ever are now sold worldwide.

Women smokers already outnumber male smokers in Den-

Companies are The World Health Organisation funding governments and agencies in a war against the tobacco barons

> mark and Sweden; this could soon happen in Britain too, where the number of teenage girl smokers is rising. Smoking is also increasing in Austria, Greece. Italy. Luxembourg and Spain. In Moscow, half of male teenagers smoke. Worldwide there are 1.1bn smokers.

Every move by the public health lobby appears to have been artfully snuffed out by the tobacco companies. Luk Joosens, a tobacco control

expert from Belgium, points to the way tobacco companies whitewashed themselves in the 1970s by inventing "clean" low-

Filters were promoted as reducing cancer-causing tar, although a separate paper at the conference showed low-tar cigarettes were just as carcinogenic as conventional brands.

Advertising bans turned out even better for tobacco companies. Sponsoring Formula One motor racing was far better promotion than advertising, comments Mr Joosens, as was sponsoring youth festivals and small to be effective.

was threatened by growing crossborder smuggling, Mr Joosens says. Emphasising this point, Dr Anderson claims that as many as one cigarette in three smoked in Europe is smuggled.

Just how effective stop-smokultimately on stopping children taking up what Padraig Flynn, who wrote the current directive as European commissioner responsible for health calls a accounts for 500,000 deaths a year in Europe alone, he says.

Given that level mortality, speakers at the conference stressed the need for action flict.

to help smokers stop now. More than 30 studies have shown nicotine replacement therapy to be safe at the highest dose. It doubles to 23 per cent the proportion of attempts to quit that are successfully sustained.

Dr Anderson calls for a "massive investment" to train family | regulators to co-regulate the net. doctors and nurses in helping i people to stop smoking. Nicotine replacement, which costs about a morass of contradictions, gaps £160 for a 10-week course, is and confusion that threatens the highly cost-effective for the number of lives saved, he

It is barely surprising, then, that officialdom is throwing its weight behind nicotine replacement, which until fairly distributing give-aways. Health recently was restricted to prewarnings on packs were too scription sale in most of Europe.

Meanwhile, tobacco companies seem relaxed about the alliance against them of pharmaceutical companies, doctors and health agencies - perhaps because the gathering clouds of disapproval are less noticeable outside Europe and North America.

Low prices and slick selling are ensuring a rosy future for ing campaigns prove will depend tobacco traders. In the Philippines tobacco companies supply 10 per cent of television company revenue.

Even so, governments everywhere appear to be waking up to 'uniquely dangerous habit". It the true price of smoking. The escalating war in the west between the tobacco and pharmaceutical industries looks set to become a global commercial con-

MY COPYRIGHT WAS



PAUL TAYLOR
IN LONDON
VIEWPOINT@FT

## Industry must help write the rule book

Companies need to work with governments to draw up sensible regulations for electronic commerce

There is less than a week left to

submit comments on the UK government's proposed Electronic Commerce Bill – proposals that have prompted a heated debate not just on encryption but also on the appropriate role of government in the regulation of the internet. Coincidentally, Therese Torris.

a consultant with Forrester Research, the US-based IT consultancy, has just published a report called Braxing EU Net

The report, based on interviews with government officials, legal experts, industry associations and net commerce providers throughout Europe together with 50 European e-commerce executives, examines the new regulations that are set to shape the development of the internet economy in the European Union. The central thesis of the report

is that companies cannot afford to stand back and wait for regulations to be approved. "Over the next 10 years, new regulations will shape the personality of the internet economy in the EU," says Ms Torris. These regulations will make or break net commerce.

Companies must take the bull by the horns and work together with national, regional and global "Today, the regulatory environment for net commerce is

maturation of this revolutionary While existing laws can in

principle handle most net commerce issues, jurisprudence and advice are lacking - and cross-border and new-media issues reveal legal holes and conflicts.

Industry blames regulators for the uncertainty. Significantly, 64 per cent of those companies contacted said the EU's regulatory stance affects internet development either negatively or very negatively.

Top of a list of critical issues for net commerce were encryption, digital signatures. taxation, privacy, copyright and trademarks. In every case only a small minority thought regulators have had a positive effect. British companies criticise

EU policy as interventionist while French companies are the least dissatisfied with it. Nevertheless, Ms Torris notes that companies need to press ahead, so they must base their compliance strategies on pragmatic risk management. In

particular she suggests that

companies base their strategies

on the assumption that net commerce is ruled by the law of the country of the seller. She argues that "the EU must move fast to remove the obstacles presented by the current legal patchwork and create a more predictable

environment" Failure to do so, she warns, could shrink the EU internet economy by as much as a third of

its potential in 2008. In order to address these issues she suggests that EU regulation move towards global, flexible co-regulation - a formal process of collaboration between government and businesses. "Net commerce leaders must prepare to drive the co-regulation process and foster legal expertise and technology solutions."

If the EU manages to foster a co-regulatory environment, she suggests, it will spread to other industries and geographies, including the US where she notes that even though the federal government vowed to leave net commerce alone, there is growing impatience with the slow progress of self-regulation.

European governments - and

what is left of the European IT industry – are sometimes accused of wielding regional "standards" as a means to shut out or slow down external competition.

For example, there is little doubt that early agreement on the pan-European GSM digital telephony standard helped Europe's mobile telephone equipment manufacturers to steal a march on their US and Asian rivals.

As a result GSM has become a de facto second generation world standard for mobile or digital telephony, with 324 systems

operating in 118 countries across the globe and more than 150m. customers - 55 per cent of the: total wireless communications market. Nokia of Finland and Ericsson of Sweden have been the prime beneficiaries of GSM's success in their battle for market share against US companies such as Motorola.

In contrast, the development of digital wireless networks in the US and elsewhere has been constrained by competing technologies and the lack of an industry government agreed standard. Recognising this, discussions

between the US and Europe over technical standards for third generation mobile systems based on CDMA (code division multiple access) technology had become: quite heated and led to a sharp exchange of letters between Madeleine Albright, US Secretary of State, and Martin Bangermann, the former European commissioner for industry.

These third generation systems, due to be launched after 2002, will enable subscribers to receive multimedia services such as moving images on their

Fortunately, however, at least one dispute appears to have been avoided by a last-minute agreament between Qualcomm, the US wireless systems supplier, and Ericsson.

Last week the two companies settled an intellectual property dispute that had been delaying the development of third generation mobile phones. Under the agreement the two companies will abandon their litigation against each other and cross-license CDMA patents.

The agreement has been warmly welcomed by GSM and satellite operators, regulators and administrations around the

Sadly, however, the agreement does not address the core issue of establishing a single world standard for third generation systems. Last year European manufacturers agreed to adopt w-CDMA which is similar to, but incompatible with, Qualcomm's CDMA 2000 system, which will be adopted in the US.

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The International Telecommunications Union, the United Nations body responsible for telecoms standards, which recently met in Brazil, also appears to have given up on setting a single world standard. 💜

As a result subscribers and manufacturers will have to put up with different phones for different geographical areas for at least five years. Once again it seems that politics will win out

Is an internet service provider more like a telecommunications operator transmitting information on behalf of others. or a traditional publisher responsible for the contents of a newspaper, magazine or book?

In other words, should an ISP be held accountable for the information transmitted by its systems or stored on its server hard disks?

This issue is at the crux of a landmark ruling delivered on Friday by the High Court in England where a judge decided that ISPs do indeed "publish" material, and that if they know they are carrying libellous material they cannot rely on the so-called ISP's defence. The case, brought by Laurence Godfrey, a physicist, against Demon Internet, could have far

reaching implications for the internet industry. Specifically, Mr Justice Moreland upheld the "strict liability" rule that knowledge of the defamatory nature of the material is not essential to "publication". Demon, like its counterparts in

similar cases in the US, argued that its operations were like those of a telephone company. However, the judge rejected this, saying: "I do not accept . . . that the defendants were merely owners of an electronic device through which postings were transmitted."

Demon, which vowed immediately to appeal against the ruling, argues that the decision raises questions about free speech and censorship and could trigger a flood of complaints,

In Britain a defence of "innocent dissemination" is available to bookshops, printers and others unaware that their wares are defamatory. But Mr Godfrey's lawyers argued that this was not applicable when a provider is warned about the content of a message.

JOHN KAY

# Creativity at centre stage

The European directive on intellectual property has been hijacked by publishing interests masquerading as benefactors of writers and artists

In common with Nana Mouskouri, Iron Maiden, Tom Jones and German hip-hop group Die Fantastischen Vier, I am a стеаtive person, providing original material for the entertainment and edification of the citizens of the European Union. Unlike my fellow artists, who recently successfully petitioned the European parliament under the banner of "artists for strong copyright", I think that the draft directive will damage, not help, our interests.

Like other artists, my first concern is to propagate my ideas as widely as possible. My second concern is to get credit for these ideas. My third objective is to be well paid for them. So why is it that the proposed directive has at its heart the obligation to allow a right "to prohibit direct or indirect, temporary or permanent reproduction by any means and in any form", when prohibiting reproduction is exactly the opposite of what we creatives

want to achieve? The answer is that the law of intellectual property has been hijacked by producer interests which want to build commercial monopolies in books, journals, records and software on the back of exclusive access to original

Now I doubt if Iron Maiden had

thought deeply about the future of the knowledge economy when their agent or publisher persuaded them to sign a petition headed "Take a stand for creativity, take a stand for copyright". They were probably told that dissemination of their work depended on a strong publishing industry. And to a degree this is right. But not to such a degree that the interests of creative talent and its publishers are identical.

Publishers may tell us that the distribution of Iron Maiden songs, or of my nearly completed and nearly unreadable monograph, depends on their ability to protect their copyright. But this is largely wrong. Iron Maiden is in the same position as Jane Austen and Charles Dickens, whose books are widely available despite the absence of copyright, because demand is

And my monograph does not gain anything from copyright because the demand for it is small and in practice no one is going to copy it. My problem is to

find any publisher at all The directive attempts to protect rights-holders, rather than creative people. The production of scholarly journals emphasises the distinction. When you submit an article to an

academic journal, the publisher requires you to assign the copyright, and the rights-holder takes over from the author. The main producers of academic articles are universities, and the main users of academic articles are universities.

The net effect is that universities pay large sums to publishers for severely restricted rights to use the material they themselves have created. Indeed. under the proposed directive, the only way to avoid paying for a copy of an article you yourself have written is to write it again.

It is difficult to fathom how this system represents "a stand for creativity". It is true that in its absence there would be fewer academic journals. But almost everyone I know in the university world thinks that

would be a good thing.

Robert Maxwell, the late publishing tycoon, led the exploitation of this system. He launched dozens of journals. Some were successful. They became the leading publications in their field, and all universities had to subscribe, whatever the cost. Most failed academically, but continued to publish second-rate material.

The result has been a proliferation of journals, many of

them publishing only bad articles, to the profit of no one but the publisher. And this has reinforced the publish or perish culture. These anomalies and

distortions could be reduced if

universities retained copyright in

the work of their employees. rather than allowing them to give it away to publishers. If there is to be a copyright licensing agency it would surely be more sensible for universities to license publishers to use the material produced in universities rather than - as at present publishers licensing universities to use the material produced in

universities. And this would be the beginning of a system aimed at lostering creativity. It is important to creative people – Iron Maiden, Jane Austen, and John Kay - that they should be able to insist that their work appears only in ways which respect the integrity of the

original. It is important to creative people that they should be able to disseminate their work as widely as possible. It is importan to creative people that they should be rewarded for the work

The right of their publisher to prevent unauthorised reproduction - which is at the heart of the copyright directive achieves these objects



incidentally at best, and often conflicts with them.

These issues really matter in a knowledge economy and an information age. We need to encourage the widest possible dissemination of new ideas and innovations and reward those who produce them in direct relation to the originality and economic importance of these ideas and innovations.

A system of intellectual property that achieves this would be based, not on a legal analysis of rights, but an economic analysis of costs and benefits. The basic principle should be

open reproduction for reasonable reward. One of the first things the new European Commission should do is rethink the copyright directive from scratch. There might even be an advantage in having a professor of economics as its president.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

minday says the Hall Boys

# Karajan pilgrims find reasons to return

The Easter ritual at Salzburg is still a rewarding experience, reports Andrew Clark

When Herbert von Karajan founded the Salzburg Easter festival in the mid-1960s, he must have known he was on

He had the services of the Berlin Philharmonic free of charge, courtesy of the German taxpayer. He had a well-equipped festival theatre at his disposal, courtesy of the Austrian government. And he had the wherewithal to stage his own opera productions - thanks to the "Karajan pilgrims", who stumped up an astronomical sum each year for the privilege of watching him realise his dreams.

It is 10 years since Karajan died, but Salzburg's Easter moved like ritual survives. Even without the man who was the festival's raison d'etre, there is no shortage of couples willing to pay Sch44,200 (£2,100) for a joint subscription. They, too, know they're on to a good thing.

It's impossible not to relax in Salzburg. The artists are just about the best that money can buy, and performances are timed to help you work up an appetite This is not exactly culture for the common man. Some performances are just a bit tou comfortable - but a certain standard is guaranteed, and that's why the "pil-

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grims" keep coming back. This year's opera is Tristan und Isolde - the first Wagner in Salzburg since Karajan's death - but in contrast to recent festivals, the concerts have been the more rewarding part of the pro-

Claudio Abbado conducted Bach's B minor Mass with just 16 strings, no vibrato, lively tempos and outstanding vocal purity - above all gramme was fascinating. It from the Swedish Radio Chorus and the flawless French soprano Véronique Gens. Berlin Philharmonie's traditional tonal warmth gave the

performance its authenticity. Of the other concerts, Bernard Haitink's Mahler Four on Sunday evening was truest to the orchestra's traditions: a richly coloured poem in sound, with feeling and form in perfect harmony. Flooded we may be with Mahler performances, but the screne, almost vale-

The singers statues. The result was

untheatrical

dictory air of Haitink's reading, and the chaste beauty of Inger Dam-Jensen's soprano solo, made this one extra Taking its cue from Tris-

tan, the Kontrapunkte series at the Mozarteum has been exploring the theme of love and war. These inexpensive daytime events, inaugurated by Abbado in 1994, are the festival's artistic conscience. They feature the Berlin Philharmonic's chamber ensembles, and the programmes are full of bright ideas. I caught the opening concert on Sunday morning, in which readings of Rainer Maria Rilke and Thomas Bernhard were interspersed with music echoing the ideas

The Rilke half of the pro-

comprised a selection of vocal and instrumental music from the time of the 30 Years' War (Schütz, Schein and others), all of which provided a fertile counterpoint to Rilke's classic war poem Die Weise von Liebe und Tod des Cornets Christoph Rilke, in a virile

reading by Gert Voss.

With Tristan, Abbado recalled the founding pur-pose of the Easter festival, which was to perform Wagner. This is only his second Wagner opera, and he still seems to be feeling his way. Saturday's performance blew hot and cold: even in the overture there was little correlation between the inertia of the opening bars and the In the second act, too, the

central duet came across as a becalmed musical interlude within feverish parenheses. The constant contrast of crescendo and decrescendo turned Tristan into a bed of episodic delights, rather than the great musico-dramatic arc which it really is. Despite these limitations,

the Berlin Philharmonic remained the undisputed protugonist. Thanks to Abbado's rearrangement of the pit (violins in the middle) and the obvious engagement of the woodwinds, the inner voices came across with rare clarity. And the sheer size and beauty of orchestral sound was unassailable. Which was just as well, as there was all too little happening on stage.

There is nothing wrong with leaving the sensual storms of Tristan to the orchestra, but it should be tional blood-letting, and he angelic Liebestod. Flatter- bland Brangaene, while year.

Klaus Michael Grüber, the German director whose Parsifal in Amsterdam was well followed the modern trend away from the work's surface passions.

Unfortunately, he had nothing to put in their place. If, by denying the lovers physical or eye contact, Grüber was trying to express the timeless, metaphysical aspect of love, he failed, with all the animation of statues. The result was the most untheatrical Triston I Eduardo Arroyo's decor

was a curious mix of realistic and anti-realistic. The ship in Act 1, running the width of the vast Grosses Festspielhaus stage, looked like a computer-graphic of a steel hull, but the crew still pulled ropes and a comical lighthouse drifted by. Act 2 was a symbolic moonscape of two leafless trees. Act 3 an earthbound construction of bricks and mortar. Grüber's one coup was to put out the lights in the Act 3 prelude, leaving us to feel our way through Wagner's - and Tristan's - lonely night of

By leaving the singers to their own devices, Grüber at least allowed them to stand centre-stage and be heard. Ben Heppner sang a more confident Tristan than last summer at Seattle. The voice blends naturally with the orchestra, but has a bright clarity of its own, and Heppner never resorts to forcing. He may have looked odd in his Act 3 bathrobe, with no bandages, no emo-



doesn't really act, but he can ingly costumed by Moidele sing the part like none other. Bickel, she looked slender Deborah Polaski's Isolde is the best thing she has done:

Triumph in Salzburg: Deborah Polaski in 'Tristan und Isokle'

and feminine - a far cry from her previous Wagner radiantly lyrical in the first heroines. Marjana Lipovsek, two acts, followed by an an overrated mezzo, was the

Matti Salminen sang King Mark as imposingly as ever. Florence and Tokyo are due to hear this Tristan over the next few months, before

# Musical tension in marriage of maestros

The marriage between music and dance, between Apollo and Terpsichore, is the quintessence of harmony between the arts. It takes a basic human instinct moving to music is something that children do before they can walk - and makes it profound. Ear and eye converse intensely, and an audience feels alive as in

no other circumstances. Well, that's the theory, anyway. like that more often, dance would be acclaimed as the important art that it only sometimes proves to be. In the triple bill being performed around the US by the Mark Morris Dance Group, Yo-Yo Ma plays in all three works, and Mikhail Baryshnikov performs in one. When did a choreographer/ musician/dancer of such eminence Ma

Morris such collaborations are not

The three artists come together for the centrepiece of the programme, in which Ma and Ethan Iverson play - with intoxicating verve - Schumann's Fünf Stücke im Volkston (Five Pieces in Folk Style). Ma and Iverson are onstage. The dancers, amid their activity, occasionally refer to Ma, now comically, now in temper, now in tenderness - as if making fleeting comments on the music and Ma looks back at them



steady Apollo are not without

their tensions. music. Many of Morris's dance works have been about community and about individuals. Even and women almost entirely in when he made his version of The Nuteracker (1990), the central vivid than the characterisations and the 1960s America-into-Utopia world he put them in.

But not so this Schumann piece, which he calls The Argument. It's collaboration between cello and

And yet for Yo-Yo Ma and Mark calmly. Relations between these a "can't live with you - can't live piano but also in the indivimercurial Terpsichoreans and this without you" piece, strangely, poetically layered. Although all six of its dancers - including Bar-The tensions come out of the yshnikov and Morris - register as distinct characters, "character" here is not the point. We see men

context of each other. Conflict is a

crucial element of each of the male-female romance was less three male-female relationships. The "argument" of The Argument is about conflict and harmony co-existing: it brings to the about something more intimate surface not just the tension and

dual writing of either musical

Even though the couples are differently dressed, and even though they all appear together in the final section, I cannot help feeling they are, really, different facets of one relationship. Even "relationship" is only on the surface of The Argument; though it appears to be about how men and women are when alone together, it could be about self-contradiction.

Just as the music's very open-

driving folk impulse that seems to be on the point of breakdown, so the dancers are always bursting into a dance and then changing their minds, or stopping. Do they want to dance together or alone? Do they want to express their feelings or just to dance? Do they need to be apart or together? The metrical but irregular or hesitant pacing, the pointing of a toe on to that we "read" on several levels at once - as psychologically expressive behaviour as "Romantic" gesture, as "spontaneous" response to music, as modern "folk"

ing phrase presents an explosive,

Morris has, in fact, arranged two versions of The Argument. The other, not for three malefemale couples but for Barvshnikov and three women, will be seen during the spring-summer tour of Baryshnikov's White Oak Dance Project (reaching Sadler's Wells Theatre in London in June). It will be interesting to compare and contrast the implications of the psychological refractions in the two different "texts".

But it is yet more interesting to compare Morris's response to Schumann to his very different responses to Bach and to Lou Harrison on this same Yo-Yo Ma/ Mark Morris Dance Group programme. The Bach, set to the Suite No 3 for unaccompanied

moods and impulses, both upwards and downwards in physical shape, both sacred and secular in feeling.

The Harrison is Rhymes with Silver - a luminous score of wonderfully varied sonorities and rhythms, a score of gorgeous and energetic modernism, commissioned by Ma, for cello, piano and percussion. Morris's choreography contrasts fluent dance rhythms they cannot properly comwith angularly sculptural shapes, ing ritual ensemble.

The dancers are, throughout, glorious; Baryshnikov is taut and mon, the octogenarian furniexemplary, Morris is complex and ture dealer, is written to exuberant, but they steal thunder | steal scenes, and Bill Wallis from nobody else onstage.

What living choreographer ters around Terry Brown's could provide so varied a pro- magnificently dressed set gramme of work? Even to those of us who have been watching Morris's choreography for years, he remains a bewilderment. The contradiction that he makes expressive in The Argument is his very

Alastair Macaulay

In April, Yo-Yo Ma, the Mark Morris Dance Group and Mikhail Baryshnikov will perform the programme of Falling Down Stairs, The Argument and Rhymes with Siker in Irvine, California: in Fairfax, Virginia; and in Columbus, Ohio.

### Faulty family feud

THEATRE

IAN SHUTTLEWORTH The Price Bristol Old Vic

It is still difficult for Britons to appreciate the depth of feeling of Americans during the Great Depression that, because surely "the system" could not be to blame for the terrible depredations, it must all somehow be their

In this respect, Arthur Miller's 1968 play *The Price*, revived at Bristol Old Vic. makes only partial achievements: it succeeds, with Miller's characteristic sensitivity, in translating such vast forces into individual, non-Olympian protagonists' lives, but - in Jan Sargent's production, at least - does not take us under the cultural skin to appreciate the full collective burden of such

By Miller's standards, Sargent's production seems curiously low on passion. When brothers Victor and Walter Franz meet, after years of silence towards each other, to oversee the sale of their late father's remaining effects - a hoard of furniture which had once furnished his millionaire's home, then was simply stacked up in a garret after his ruin in 1929 – 40-year-old wounds are reopened. But although we feel the festering rancour, there is little sign of fire.

Malcolm Tierney's Walter, recovering from a long breakdown, now "owns" his feelings in that modern way which means that they are more often levelly recounted than forcefully enacted. As Victor, who sacrificed a choral piece, starting with a human steeple that tumbles apart into a congregation of starts. promising academic career nacy through gritted teeth and cold, civil smiles rather than letting it loose. (Mantle, and Susan Wooldridge as his wife Esther, also seem too young for their roles.)

> Even at the climax, when both brothers are in relatively full spate, it is as if they have each spent so long in their different worlds that

The role of Gregory Solodoes so excellently. He notwith a beautiful blend of Talmudic inscrutability, a dealmaking routine which is as transparent in its intent as it is admirable in the execution (both brothers pay fulsome respect to the old man's performance), and a fainting fit that even Lady Macbeth would scorn as contrived.

Overall, though, Sargent and her cast do not take us far enough into this family: they allow us to see into the characters' lives, but we gain little real insight.

Until April 10 (0117-987

#### INTERNATIONAL

# Guide

#### **AMSTERDAM**

Het Muziektheater Tel: 31-20-551 8911 **Dutch National Ballet:** programme combining the Dutch Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C; Mar 31; Apr 2,

EXHIBITION Tel: 31-20-673 2121 Shakudo: display of Asiatic objects highly popular in Europe and imported in large quantities by the Dutch East India Company. Mainly they were luxury goods such as sword hilts and tobacco boxes; to Apr 5

BARCELONA EXHIBITION Tel: 34-3-319 6310 Picasso - Engravings 1900-1942: temporary exhibition with more than 250 works from the Musee

Picasso in Paris. It presents Picasso's engravings as a diary, emotions: it follows the different themes and techniques that inform the artist's work: to Apr 4

BERLIN CONCERTS Staatsoper unter den Linden Tel: 49-30-2035 4555 www.staatsoper-berlin.org Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by R. Strauss: Apr 3 Chicago Symphony Orchestra and Chorus: conducted by Daniel Barenboim in Brahms's German

Roschmann and baritone Thomas Quasthoff; Mar 31 Chicago Symphony Orchestra and Chorus: concert performance of Moses und Aron. by Schoenberg, conducted by Pierre Boulez, with a cast led by David Pittman-Jennings and Chris Merritt; Apr 1 Staatskapelle Berlin: conducted by Pierre Boulez in Mahler's Das Lied von der Erde, with tenor Jon Villars and

baritone Roman Trekel; Apr 4

conducted by Daniel Barenbolm

in works by Beethoven and

Staatskapelle Berlin:

Requiem, with soprano Dorothea

Wagner, with soloists including tenor Jon Villars; Apr 5 Deutsche Oper Tel: 49-30-34384-01 Cinderella: staging by Roberto de Oliveira. Kevin McCutcheon conducts Prokoflev's score; Mar

31: Apr 3 Deutsche Oper

Tel: 49-30-34384-01 Der Fliegende Holländer: by Wagner. Conducted by Rudol Piehlmayer in a staging by Götz Friedrich; Apr 1 Matthaus-Passion: Christopher Hogwood conducts Mendelssohn's score; staged by Günther Uecker, Götz Friedrich and Dietlinde Calsow; Apr 2, 4 Staatsoper unter den Linden Tel: 49-30-2035 4555 www.staatsoper-berlin.org Lohengrin: by Wagner. Conducted by Daniel Barenboim

in a staging by Harry Kupfer, Apr Tannhäuser: by Wagner. Conducted by Daniel Barenboim in a staging by Harry Kupfer, Apr

BONN **EXHIBITION** Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-917 1200 www.kah-bonn.de Museu Nacional de Arte Antiga, Lisbon: this latest in the museum's Great Collections series leads visitors through seven centuries of Portuguese art and history, to Jul 11

CHICAGO CONCERT Orchestra Hali Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on piano and Lucy Jeal on violin; Apr 6

LISBON

EXHIBITION Centro Cultural de Belém Tel: 351-1-361 2400 Alvar Aalto in Seven Buildings: Centenary exhibition of the Finnish architect Alvar Aalto; until

LONDON CONCERTS Tel: 44-171-638 8891 Orchestra of the Age of Enlightenment: this period instrument ensemble makes a welcome return starring Nathalie Stutzmann (contraito) and directed by Catherine Mackintosh in works by Corelli and J.S. Bach; Apr 6 Royal Festival Hall Tel: 44-171-960 4242 BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in the world premiere of

Birtwistle and Tippett; Mar 31 OPERA English National Opera. London Coliseum Tel: 44-171-632 8300 Mefistofele: by Boito.

Scenes, and works by Britten,

Judge; Apr 3 Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveaux's production: Apr 1

LOS ANGELES CONCERT Music Center: Dorothy Chandler Pavilion Tel: 1-213-365 3500 www.laphil.org Los Angeles Philharmonic: conducted by Antonio Pappano n works by Honegger, Liszt, and

Thibaudet on piano; Apr 1, 2, 3

MUNICH CONCERT Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Bach Choir and Hanns-Martin Schneidt in Bach's St. John Passion; Mar 31

**NEW YORK EXHIBITIONS** Guggenheim Museum Tel: 1-212-423 3500 www.guggenheim.org Jim Dine: Walking Memory. 1959-1969. More than 100 works make up this survey of the American artist, including photographs, paintings and performance pieces; to May 16 Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Masterpieces of Photography Dohnanvi in a new staging by lan from the Gilman Paper Company: 45 of the greatest 19th century photographic works from the collection; to May 23

Metropolitan Opera, Lincoln Tel: 1-212-362 6000

www.metopera.org Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Mar 31; Apr

 The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo, replaced by Yuri Marusin on Apr 3

**PARIS** OPERA Opéra National de Paris, Opéra

Tel: 33-1-4473 1300 www.opera-de-paris.fr Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 1

TOKYO CONCERT Suntory Hall Tel: 81-3-3584 9999 New Japan Philharmonic: Hiroshi Wakasugi conducts in works by Alban Berg and Kurt Weill; with Mari Midorikawa and Michio

Tatara as soloists; Apr 5

VIENNA **OPERA** 

> Wiener Staatsoper Tel: 43-1-51444 Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood; Apr 6

**ZURICH** EXHIBITION Kunsthaus Zurich Tel: 41-1-251 6765

Chagall, Kandinsky, Malevich and the Russian avant-garde: exhibition exploring the artistic April 25

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium waye

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

648 kHZ (463m)

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

### German handicap

Few have realised the most dangerous feature of Emu: it has locked Germany into a seriously uncompetitive real exchange rate

Just how good are German workers? Very good indeed is the answer: well-educated expertly trained and highly motivated. But are they good enough to offset the cost disadvantage under which they are now toiling?

German production workers are some 50 per cent more expensive than those in any other member of the group of seven leading industrial countries. Worse. because of economic and monetary union, there is little Germany can do about it on its own. The powerhouse of Europe has fallen into a trap. Its only escape is a weak euro.

The table shows Germany's cost disadvantage with depressing clarity. The data come from the web site of the bureau of labour statistics of the US department of labor.\* They show hourly compensation costs for production workers in manufacturing. The costs are converted at actual exchange rates for the year in question and include direct pay, benefits (such as paid holidays) and expenditures on social insurance and contractual benefit plans.

These data are only for west Germany. In 1997. average costs in east Germany were 64 per cent of west German levels. Even so, east German labour was still as expensive as American and French and more expensive than Italian and British. Moreover, the average hourly cost for Germany as a whole was only 3 per cent below that for west Germany, the reason being that 90 per cent of jobs in manufacturing were in the west. This uneven distribution of employment is explained, in turn, by the uncompetitiveness of east

German manufacturing at post-unification wages. Three questions arise Why have Germany's labour costs become so high? Does it matter?

 What, if anything, can be done about it? Consider each in turn. Germany has long been a country of relatively high wages. This, quite properly, reflects the strength of German manufacturing. But since the mid-1980s, its relative competitiveness has deteriorated markedly. This has happened for several reasons: the big decline in the value of the US dollar from its 1985 peak; devaluations within the old exchange rate mechanism of the European Monetary

System, most significantly

by Italy and Spain; and what

French policy-makers refer

to as "competitive disinflation". Germany - of all countries has lost the low inflation game. Between 1986 (the rear of the last French devaluation) and 1997. French hourly labour costs rose 47 per cent in domestic currency: Dutch labour costs rose a mere 35 per cent. Over the same period, west German costs increased 70 per cent. Much is made of

Dutch success with its

reforms. What is most

impressive is that in 1980

Dutch and German labour costs were nearly identical. By 1997, Dutch hourly costs

were 27 per cent lower. Turn to the second question. It can be argued that the high cost of labour is unimportant so long as high productivity offsets it. But this point, logically correct, is unconvincing in Germany's case.

One reason is that German output per bour in manufacturing is not high enough to offset the cost disadvantage. The McKinsey Global Institute has estimated that output per hour worked in manufacturing, between 1994 and 1996, was 20 per cent higher in the US and 10 per cent higher in France.\*\* But German wage costs were almost twice US levels and one third higher than in

nigher measured productivity can be a symptom of the underlying illness. Since companies must earn an internationally competitive return on capital, they dispense with activities (and jobs) in which workers are not productive enough to offset their cost. The significant question therefore is whether all the workers who want to work are employed. In today's Germany, the answer is no.

Another reason is that

Who's the most expensive of them all? Relative compensation for production workers in manufacturing (cost per hour)

	1975	1980	1985	1990	1995	1997
Germany	100	100	100	100	100	100
France	72	73	79	71	62	64
Italy	74	67	81	80	50	59
UK	54	62		58	43	55
บร	101	81	137	68	53	65
Canada	95	71	115	72	50	59
Јарап	47	45	67	59	74	68

Source US Decembers of Labor: Bureau of Labor Statistic

On the contrary, Germany shows the symptoms of an economy in which companies are adjusting to high costs by dispensing with less productive

activities and workers What one sees includes: a strong improvement in profitability in the busin sector, a faster fall in employment per unit of gross domestic product than in the US, Japan, France or the UK since 1992; a fall of 5 per cent in total employment over this period; and, perhaps most revealing, a modest rise in the stock of inward direct investment, from \$111bn in 1990 to \$138bn in 1997, but a huge rise in the stock of German investment abroad, from

\$152bn to \$326bn. Turn then to the third question: is there any way to retain long-term competitiveness without sacrificing jobs? The answer depends on the efficiency of German workers. For businesses operating in the euro-zone, the issue is whether a given plant will yield returns greater, or less in Spain or France than in Germany. Unless the German worker can produce 50 per cent more than the French or Spanish, the answer would seem to be "no". Over time, then, one would expect marginal investment to occur outside Germany. Germany will remain the domicile of internationally strong manufacturing enterprises. but these will increasingly

One popular suggestion for owering the cost of employing a worker in Germany (and other continental countries) is to reduce social insurance charges. Yet such charges are a lower share of compensation in Germany than in France. Italy or the Netherlands. The difference between Germany and these countries is in direct pay, not overhead social charge Moreover, shifting the fiscal burden from direct charges to general taxation will not necessarily lower labour costs. Workers may react to the higher taxation of income or spending by demanding higher pay. A second way to lower the

produce abroad.

cost of labour is via modest rises in nominal pay. Germany would then be

playing the "competitive disinflation" game it lost over the past decade or more. But this is going to be incredibly arduous, at least within the euro-zone. Assume, for example, that inflation averages only 1 per cent a year, that wages in most member countries rise at, say, 3 per cent a year. and that real wages in

Germany remain unchanged implying annual wage increases of only 1 per cent. Even on those wildly optimistic assumptions, it would take over 20 years for German and French compensation to converge. The third way out is devaluation. But Germany

cannot devalue against countries of the euro-zone. which took 42 per cent of its exports in 1997. It has to devalue against other countries. This includes members of the European Union outside the euro-zone principally the UK, which took 8.5 per cent of German exports. Germany needs a weak euro. It also needs sterling to enter the euro-zone at as high a rate as possible. But all this depends on whether the European Central Bank, the markets (and, for that matter, the British government) oblige

The most fascinating feature of the long debate about monetary union is, in retrospect, that it focused so heavily on German demands for central bank independence, low inflation. and fiscal stability. Some attention was also paid to what would happen to peripheral European economies, once they lost the option of devaluation.

Few analysts noticed that Europe's most important economy was about to lock itself in at what seems to be a significantly overvalued real exchange rate. In the run up to Emu. France, Germany's chief rival and partner, has won game and set. But whether it goes on to win the match depends on how Germany responds to its plight.

http://stats.bls.gov news.release ichcc.toc.htm. McKinsey Global Institute. Driving Productivity and Growth in the UK Economy, October 1998

Martin, Wolf a fl.com

# LETTERS TO THE EDITOR

### However unwelcome, Nato's action is justified, legitimate and inevitable

From Mr Humphry Crum

Sir, Some of your correspondents and others (such as Tony Benn, the Labour MP) have expressed concern about the "legitimacy" of Nato's military action against Serbia. Their two grounds are that it has not been authorised by the United Nations and that Serbia is a sovereign state. I suggest they misdirect them-

selves on both counts. So far as the UN is concerned, the issues have been rehearsed at the UN on numerous occasions. Everybody agrees that what the Serbs are doing is unacceptable and that they should up to anyone who may be have many of the necessary

something reasonable and part of their common duty as world citizens.

So far as the sovereign state argument is concerned. Serbia is Serbia, that is to say one fragment of a former sovereign state (ie. old Yugoslavia). But that recognisable sovereign state has dissolved and, whatever its own claims. Serbia is not a sovereign state, successor to Yugoslavia, in any real sense of the term. Circumstances alter cases. It would have been preferable not to have had to attack Serbia, but there it is - precisely stop doing it; it is therefore because Serbia does not

able to stop them from doing attributes of a sovereign this, by doing themselves state. These include defined international frontiers and proportionate, to do that as an internally accepted national regime so that the authority of the central government runs throughout the territory concerned.

Only events can show whether the decision by Nato to strike Serbia was wise and effective. But we should be absolutely confident now that it is justified and a legitimate and probably inevitable course of action, however unwelcome.

Humphry Crum Ewing. Centre for Defence and International Security 63 Baker Street. Reading, Berks, UK

a peaceful

solution to

crisis is now

Time to plan

#### Anguish for families of Serbs on the home front

From Mr Tim Fenton. Sir, Whatever view your readers have formed on the rights and wrongs of the Nato action against Yugoslavia, may I bring to their attention the anguish in which thousands of people in the UK live while the

bombs are falling? Approximately 40.000 people of Serbian origin live in the UK, many of whom are married to "ordinary" British citizens such as myself. Since the Nato operation started I have had less than 12 hours' sleep. My wife's immediate family lives in Belgrade, others in Uzice and Nis. names that feature in reports on the

bombing raids. Hours are spent trying to telephone but the connections to Yugoslavia are almost non-existent. After two days my sister-in-law managed to reach us to 527 that they are sale but that a cruise missile had destroyed a telecommunications centre 200 yards from their flat. (Would the designers of these weapons stake their Henley-on-Thames, UK

ing ahead on Kosovo"). Nato

has drifted into adopting a

new doctrine of humanitar-

ian intervention, by bomb-

ing, in the affairs of sever-

eign states with the most

minimal attempt to think

realistically hope to achieve.

It also suggests that the mili-

tary logic of the campaign

could end up meaning that

Nato actions create either a

Obviously, the conse-

liable to be horrific, both in

terms of the message given

to rulers who want to solve

their ethnic minority prob-

But now we wait for the next call, the hours filled with triumphant news reports of yet another successful mission or "unconfirmed" stories of atrocities to stir the nation's passions and reassure those who dare doubt. And still we wait. An aircraft is reported missing. If it is the RAF's, will the nation's anger be vented on British Serbs, whipped up by a media intent on justifying

lives on their accuracy?)

The phone rings, but it is someone else whose nerves are frayed waiting, wonderyet?" or "Someone told us they hit your village town: city". In a war in which not a single shot will be heard in the UK, and in which there will be possibly not a single British casualty, would it be too much ask to tone down the jingoism? I know that there are many in our situa-

this crusade?

Tim Fenton.

messages conveyed by a

Nato success to other societ-

ies that face intractable eth-

risk that persecuted minori-

in their interests to provoke

more brutish forms of

oppression in the hope of

provoking Nato interven-

Further, is there not a risk

that those rulers will con-

sider that the prompt acqui-

sition of weapons of mass

destruction is their only

security, and indeed sur-

vival, against the interven-

tions of an alliance that

makes itself jury, judge and

hangman?

22 Homefield Road.

means of guaranteeing their

Failure is unthinkable – but

success brings its own risks

Sir, If your leader of March and conesion of Nato.

From Mr David Habaklauk. in terms of the credibility

through what bombing can their rulers into more and

### From Mr David Gee. Sir. In the absence of

peaceful solutions, everything indicates that suffering will spread and increase in Kosovo. We need to start making suggestions now. expert or otherwise, and make them widely known. I am throwing this possible solution into the vacuum for what it is worth. If anyone has the ability to make better informed suggestions for peace to the decision-makers, the time to do so is now. First. Nato member states will withdraw their support for the attack and voluntarily call a ceasefire with a view to setting up talks without preconditions. The entire world (press. politicians, the public) then simultaneously invites Slobodan Milosevic to do the same. Halting the bombardment would not make conditions on the ground any worse than they already are, and it would be a bold step towards peace on the part of the international community.

Second, Nato member tates will accept the transer of control of Nato ground troops to the United Nations. With a Security Council mandate, the UN troops and civilian monitors will police tee of impartiality, and with viable deterrent.

Meanwhile, the adminisnic problems? Is there not a tration of the territory will ties will conclude that it is be handed over to the UN in neither Serb nor Albanian hands - for an interim period pending a successful

peace agreement. Finally, a country with no political stake in the outcome of the conflict (possibly a Nordic country), and trusted by both sides, will be asked to broker peace talks with people's representatives as well as political leaders. Kosovo will remain under international control until an agreement is forthcoming, however long that takes.

David Gee. Square Ambiorix 50, B-1000 Brussels,

# Confusion's masterpiece

The war aims of Nato and Milosevic seem equally unclear, says David Buchan

oor visibility befudof war does not end there. Confusion also shrouds the war aims both of Nato and President Slobodan Milosevic. Their aims keep shifting. And the shifts are exchange for an end to mainly towards a bardening on both sides, complicating gest Mr Milosevic is toying the task of Russia's prime with the last alternative. minister, Yevgeny Primakov, in trying to bridge the

widening gap. Far less, of course, is known about Mr Milosevic's signed by the ethnic Albaaim. Is it to go down in history, all guns blazing, as the "defender of Kosovo"? Merely to cling on to power? Albanian refugee exodus. To defeat Nato politically by appear starkly to confirm

Serbia last October, some western diplomats and ana-

lysts thought that President

Slobodan Milosevic might be

vulnerable to a coup from

the armed forces. A week of

Nato air strikes may have

damaged the Serb military

machine but Mr Milosovic

still appears in full com-

mand of both of the military

and the country as a whole.

He is seen daily on state

media in the company of his

top generals, but it is still

the civilian leadership that

holds the reins of power. The

president's inner circle has

closed ranks and there is no

sense of danger to the

regime from within.

launching air

strikes against

war to a point the west finds dles Nato bombers intolerable? Or perhaps to in the clouds over force ethnic Albanians out Kosovo. But the fog of northern Kosovo, suffer Nato's early bombardment, and sue for peace on the basis of partition?

Yesterday's apparent offer of a ceasefire in Kosovo in Nato's bombing might sug-But his brother, Borislay, who is the Yugoslav ambassador to Moscow, also said the Rambouillet peace plan nians was "all in the past". And the facts on the ground. the Serb offensive and the increasing the cost of the Mr Milosevic's hard line.

leaders' recent pronouncements. At the start of the bombing, Nato's war aims fluctuated from "stopping a humanitarian catastrophe" to preventing a wider Balkans war. Yesterday, with the catastrophe unfolding, President Jacques Chirac of France added a new one. Charging Mr Milosevic with responsibility for 200,000 deaths in the Balkans in recent years, he said Europe could no longer tolerate such "a man and a regime". Tony Blair, the UK prime minister, added that Mr Mil-

barity, pay "a higher and higher price". Nato's tougher war aims

military means. The alliance has ruled out ground troops. for a mix of political and operational reasons which General Sir Charles Guthrie, the UK chief of staff, said yesterday he fully accepted. But in terms of outbluffing an enemy, he admitted, "in an ideal world, you don't close any option off'. The west's aims have fluc-

tnated with the tide of war (or campaign in Nato-speak). Once the first two days showed Mr Milosevic was not going to be a pushover, Nato commanders started to osevic would, for every bargive priority to military aims, such as "degrading" his war machine, which they could achieve by miliare not being matched by tary means, regardless of

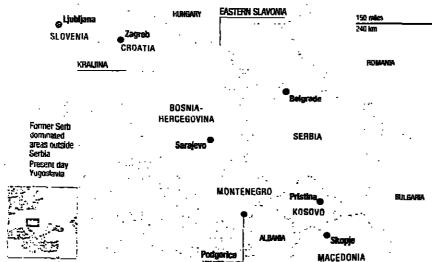
bouillet plan. Since then, events in Kos-

ovo had made a stop to ethnic cleansing and to the refugee exodus the west's priority. But to ensure that any Serb ceasefire lasts. Nato insists that Belgrade would also have to sign up to Rambouillet and pull its forces out of Kosovo before it suspends bombing. Desnite their rhetoric

fully independent Kosovo, or Nato leaders would jump at indeed the disintegration of any serious chance of a deal the Yugoslav state, neither with Mr Milosevic; Mr Chiof which is actually an objecrac, for instance, has tive of alliance strategy. strongly encouraged Russia quences of a failure of the to mediate. But "the terms on which a Nato intervention, now it has been embarked on, are

deal can be done are getting harder and barder", said a senior UK official vesterday.

# Tightening ranks



Since last summer, Serbia's strongman has purged the top ranks of the military. police and secret services. He has replaced them with hardliners who said they could sweep the ethnic Albanian Kosovo Liberation but disappeared from the outspoken critic of Mr Milos-Army (KLA) away in a week. streets and petrol is nowhere That advice seems to be to be found. But basic food-

Although reliable informa ment held stocks, are in tion from Kosovo is sketchy, ampie supply. it appears that only remnants of the KLA are holding out in a few pockets. the death penalty for "seri-Tens of thousands of refu- ous crimes" while military gees are flooding out of Kos-In Belgrade there has been

from shortages. Cigarettes, a ground war. one of the main black market commodities, have all borne out by events, stuffs, supplied from govern-

Serbia's justice minister has proposed bringing back courts are ready to put prisoners of war on trial. Young men are being drafted into no breakdown in law and the army and civilians are order, as some diplomats told to repair damaged milipredicted. Using its powers tary facilities. But whereas a government imposed price to dodge the draft, now they controls and cracked down are volunteering to fight in

on traders trying to profit Kosovo should Nato launch

Aleksa Djilas, a prominent Yugoslav historian and an evic, says the western powers have committed a series of mistakes - first by failing to curb the KLA, then by seeking to impose an agreement on Serbia that gave independence to Kosovo in breaking off the diplomatic

process to go to war. Serbia may end up losing Kosovo through war but it will still not necessarily rid itself of Mr Milosevic, Mr Djilas argues. "This is a situunder the state of war, the few months ago many tried ation in which he almost cannot lose. He's either Yugoslavia's most celebrated Napoleon or says I lost dissident jailed by Tito -

against the devil incarnate armed with superior technology," says Mr Djilas in his Belgrade home, with jets buzzing overhead. "As such, Mr Milosevic is not very powerful but circumstances are in his favour - a weak opposition and foreign intervention. He does not control all of parliament and before Nato acted had the support all but name, and then of just a third of the country. but he is stronger than any-

> Under the state of war few Serbs are willing to criticise Mr Milosevic in public. Even Mr Djilas - a former research fellow at Harvard and son of Milovan Dillas.

one else.

admits he feels "uncomfortable" criticising the president while the country is under attack.

On the streets of Belgrade it is President Bill Clinton and the US in general that is under attack. At a "music against the bombs" concert in the city's main square, a mock-up death certificate of Mr Clinton was passed around. Belgrade's main branch of McDonald's has been vandalised, the first sign that symbols of American culture are a focus of

As Russia's prime minister Yevgeny Primakov prepared to fly to Belgrade to launch the first diplomatic initiative since bombing began. Mr Djilas noted it was ironic the English-speaking Milosevic had been "very US oriented and very indifferent to the Russians. Mr Milosevic had no serious foreign policy and he overestimated his room for manoeuvre with the US ... He had no clear vision

of international relations." And in another sign of the changing mood in Belgrade. Mr Djilas, who is part Serb by birth and has always entities. declared himself a "Yugoslav", said be could imagine

himself donning a uniform. "In the war against Bosnia I would have avoided the draft. I would never have shot a Moslem. But now if I was drafted i would probably not resist."

**Guy Dinmore** 

#### lems by savage means, and London W4 2LN, UK

From Mr Misha Simic.

Sir. In his enthusiasm for bashing the Serbs. Philip Stephens fails to appreciate the extent to which Nato has taken the law into its own hands ("Simple truths". March 26). Leave aside that Nato's war on Yugoslavia infringes its own charter. lacks Security Council approval and violates Article 2 of the UN Charter, Focus instead on the so-called

Rambouillet "agreement". This diktat violates the 1980 Vienna Convention on Treaties, which declares agreements negotiated under threat of force to be invalid. In paving the way for an eventual Greater Albania, Rambouillet also contra-Europe's state borders.

If the bombing were to would violate a customary rule of international law which prohibits recognition of unilaterally sessionist

Nato's lawbreaking, if unchecked, will encourage separatists everywhere, practice, undermine stability and This is truly a case of the tary Fund ("IMF in vital

proposed cure hastening the malady.

Nato lawbreaking will encourage separatists

Nato missed an opportunity in early 1998 to uphold international law and promote Balkan stability. It could have occupied northern Albania's lawless border region with Kosovo to curb the Kosova Liberation Army training camps and stem the KLA's flow of weapons, Kosovo would have been spared much of the ensuing vio-

lence and the KLA would From Mr Ian R. Jenkins.

venes the Helsinki Act of made the interesting point 1975. which guarantees that war against a sovereign state is permissible if Nato alone concludes that "interresult in a Kosovo state, this national treaties against genocide, torture and the rest" have been sufficiently violated. Nevertheless, a technicality seems to be that

Furthering the debate, in result in more rather than the article on Russia's debt less humanitarian disasters. and the International Mone-

have realised that enhanced autonomy, already conceded in principle by Belgrade, was the most that they could achieve.

But such a pre-emptive move was deemed too difficult by Nato. Today Nato is bombing Belgrade and having to contemplate fighting its wav into Kosovo.

Misha Simic. 38 Bushmead Avenue. Bedford MK40 3QN, UK

#### Tricky boundaries of treaties

Sir. I greatly enjoyed Philip Stephens' article on the bombing of Serbia. He

these are not Nato's treaties; they are the United Nations'. however unenforceable in

Moscow loan talks today" March 27), a "regional expert" suggests that an economic strategy endorsed by the IMF overrides a nation's foreign policy. International money has been a remarkable device, up till now, in crossing the cultures of almost 200 nation states.

Therefore, for the removal of doubt in the future, perhaps the UN's economic agencies should officially be given responsibility for adjudicating on breaches of

Ian R. Jenkins. 7 Spruce Avenue. Hamilton ML3 7NQ, UK

Number One Southwark Bridge, London SE1 9HL We are keen to encourage Patiens from readers, somewide, Letters may be layed to #44 171,973 5938 (set lax to "fine"), e.meil ictions optionably on Published letters are also multiple on the FT web site, http://www.FT.com Translation may be available to letters written in the main internal tanguages. Fax 0171 873 5939 Letters should be typed and not hand written.

COMMENT & ANALYSIS

### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Wednesday March 31 1999

### Northern Ireland on the brink

From outside, the distance Adams, leader of Sinn Fein/IRA between war and peace in Ulster have seemed genuinely anxious otry and fear, it may yet prove an unbridgeable chasm. As talks continued yesterday, the chances his southern Irish counterpart, could bring the two sides together looked precarious.

TOR

Good Friday last year. For if this week's deadline for setting up the 10-member power-sharing executive is missed, it is hard to envisage a breakthrough after Easter. Renewed violence during the Protestant marching season could quickly make things worse. And if agreement cannot be reached now, the British government will have to decide whether to go ahead anyway with the legal steps needed to set up the

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paraties.

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But this would be only a hollow shell. The Ulster Unionists would probably try to exclude had failed to secure any decomweapons. If Sinn Fein leaders were not excluded, the Unionists

would refuse to sit with them. To establish the executive defeat, without agreement among the parties would therefore be failure by another name. What can be done to avoid it?

David Trimble, the Ulster Unionist leader, and Gerry

its nost-war economic system.

This was the system that, for

country to achieve an enviable

combination of near-full employ-

ment and excellent job security.

with dominance in many of the

showing that Japan's jobless rate

is now higher than in the US. In

fact, differences in counting the

number of unemployed mean

that Japan's unemployment rate

is probably significantly higher.

ensured complete loyalty and

its inability to react to major eco-

eight-year economic slowdown,

Japanese companies kept their permanent employees on, despite falling profits. But the severity of

the recession has recently forced

nies are now starting to substi-

tute temporary staff for expen-

mostly generalists, they have few

Prospects for these redundant

sive "life-time" workers.

nomic shocks.

culture was revealed by figures force.

some clear advantages. It struggling.

almost 50 years, allowed the Japan's social security safety net

world's most high-technology rise further. There is still mas-

Yesterday, though, the extent nese companies, accounting for

The jobs-for-life system bad life insurance companies are

dedication from a company's ual breakdown of an economic

employees. But its fatal flaw was and social system, with all the

At the beginning of the current sumers are saving every spare

a change in attitudes, and compa- of a painful but necessary pro-

employees are grim. Being der how well even Japan's nor-

transferable skills to offer other up under the pressure of the diffi-

companies - many will never cult years to come.

them to do.

may not look very wide. But to reach a deal. But unless the viewed through the prism of big. IRA makes a significant gesture towards decommissioning, the two leaders will run out of things to say - if they have not already that Tony Blair, the British done so. Mr Trimble is a prisoner prime minister and Bertie Ahern, of his own party, it re-elected him recently amid jeers and heckling for the compromises he had already made. The Unionists Little time is left to rescue the in the assembly are split in half peace process that started on between moderates and extremists. For his part, Mr Adams can-not deliver decommissioning without agreement from the hard

> Decommissioning may now be only symbolic in importance. What matters is that weapons should not be used and that unionists and republicans including Sinn Féin - should sit together in the new institutions.

men in the IRA.

But symbols matter also. The IRA must now demonstrate that it wants peace as well as power if it does. This is needed not just to reassure the unionists, but to convince the rest of the world Sinn Fein on the grounds that it including the US. Since big concessions have already been made, missioning of the IRA's terrorist including the release of IRA prisoners and a promised reduction in British forces, such a move could hardly be thought of as

> Further compromise would no doubt be needed from the unionist side, but some credible gesture from the IRA now seems the irreducible minimum for avoiding collanse.

> taken on the role of providing welfare to their employees.

> is extremely limited, leaving the

As Japan's economy continues

to stagnate, unemployment will

sive underemployment in Japa-

Meanwhile many households

are concerned about the ade-

quacy of their retirement income,

because of mounting evidence

that employers have underfunded

their pension schemes, and that

What we are seeing is the grad-

uncertainties this brings. No

wonder, then, that Japanese con-

ven they have, rather than spend-

ing it, as the government wants

of unemployment is a symptom

cess of corporate restructuring.

that will eventually bring the

economy back to full health. This

may be true. But one has to won-

mally resiliant society will bear

Japan's hope is that this wave

unemployed high and dry.

suggest that a political backlash is brewing. The new super-elite includes people like Michael Eisner at Japan's jobless

Walt Disney, who exercised stock options worth \$570m last year, and Sandy Weill at Citigroup, whose direct stock holdings, excluding options, are nudging close to \$1bn. Japan's tradition of jobs-for-life find work again. Yet because The new executive upper-class was one of the underpinnings of companies have traditionally

he era of the billion-dul

The days when the

headlines were filled with salaries that ran merely into six figures, and bonuses that might sometimes make seven,

lar manager is nigh.

are gone. After the US stock mar-

ket's long climb, those who make

it into the upper reaches of the corporate elite are truly those

beyond most peoples' dreams of

And, with American manage-

nent practices held up for emula-

tion around the world - not least

thanks to mergers between US

and foreign companies - execu-

tives around the world may soon

be following suit, say US compen-

"It's like exporting typhoid

fever," says Charles Elson, a cor-

porate governance expert and

professor at Stetson Law School. But even Mr Elson has been a

party to executive pay inflation.

As a director of Sunbeam, a

struggling US household prod-

ucts company, he sits on a board

that gave its former chairman.

"Chainsaw" Al Dunlap, stock

options which were worth over

\$75m at the beginning of last

year. The value of those options

has since evaporated, along with

Sunbeam's fortunes, Sunbeam is

now fighting Mr Dunlap over

\$5.25m in salary that he says he

"It's not a virus, it's a vaccine,"

retorts Ira Kay, head of executive

compensation at consultants

Watson Wyatt, and one of the

biggest proponents of US-style

executive pay. He and other fans

of stock-based compensation

believe that if Japanese or Ger-

man companies embraced American methods of compensation,

they would deliver similar high

begins to debate the desirability

of paying managers like rock

stars, the rumblings from share-

holder representatives in the US

While the rest of the world

returns for their shareholders.

avarice.

sation experts.

is still owed.

embraces managers whose repu-tations have been built over many years, and those whose impact has been brief. Jack Welch, whose 18-year stint at the helm of General Electric have probably made him the world's most admired manager, is sitting on stock and options with a value of around \$500m. But by the end of last year, Lou Gerstner had of the decline of the jobs for life perhaps 10 per cent of the work- amassed almost as much wealth from his quick turn-around of

International Business Machines. Below these titans of industry, hundreds more American chief executives have accumulated impressive personal fortunes. An analysis of 200 big companies at the end of 1997 put the average chief executive's personal equity holdings at nearly \$60m. not including the handful of extremely rich and the underpaid, according to Pearl Meyer, an executive pay consultancy. Since then, the stock market has

Some of these managers, no doubt, have performed exceptionally well. But most, by definition. another populist reaction, say are average. It is the times they live in, rather than their individual actions, that are truly excep-

risen by nearly 35 per cent.

Even Alan Greenspan last

# Irrational rewards

With executive pay rising to \$500m and more, Richard Waters considers whether such rewards can be justified



to individual CEOs not directed several hundred US investment to the value that they are produc-ing for their shareholders, who are paying the bill," the Federal before a congressional commit-

Disquiet over pay levels at the time of the 1992 presidential election campaign led to a change in executive pay, except where com- pay awards has already been bro-

> 'It's like exporting typhoid fever

pensation is performance-based. During the 1996 campaign, greedy chief executives were criticised at a time of widespread job insecurity among ordinary work-

The time may well be ripe for some corporate governance experts. Even though shareholders at large have done well in the bull market, the wealth that has accrued to chief executives "is month allowed himself the lux- not such a small piece of the cake ury of a side-swipe over the sky-high levels of executive pay.

"I find a lot of what is being paid of institutional Shareholder Services, a body which represents with massive profits, even if their companies' share prices rise only modestly.

**OBSERVER** 

institutions.

The implicit social contract that makes such big executive Reserve chairman said, speaking pay awards possible will hold as long as employees and shareholders at large feel they are getting their fair share of the goodies. says Mr Kay at Watson Wyatt. Others believethe link between the tax code to limit the deduc- pay and performance that once tion that companies can take for conveyed social legitimacy on big

> The defenders of giant stockbased pay awards generally use three arguments to support their case: such arrangements are said to be motivational, they reflect the need to pay a market rate, and they are validated by the big gains that other shareholders

The first of these arguments rests, in part, on a belief that there is a direct link between an individual executive's actions and the size of the potential reward.

Most stock options, though, are granted with an exercise price which has been set at the current market price. There has also been a trend to handing out so-called "mega-grants" options, often running into the millions. Taken together, these can leave mediocre managers

In such cases the link between nav and performance is weak. But there is no link whatsoever when it comes to dismissing executives with "golden parachutes". When chief executives fail to perform, they increasingly leave with large hand-outs. According to Mr Greenspan, shareholders are wasting their

money with them. Another abuse that sharehold-

> 'It's not a virus, it's a vaccine'

the tendency of many companies to reduce the exercise price of options if their shares prices fall - a practice that allows executives to benefit even when other shareholders suffer.

The second argument in favour of high pay - that it represents the market rate - has also such arrangements, he says. become controversial given the speed with which pay levels have escalated. Critics claim, in fact, that there are no real market

The compensation committees

their decisions by reference to practices at other, comparable companies. This may have the effect of driving up pay levels across the board: most set pay above the norm for their industry, on the grounds that their own executives are a cut above the rest. "No one wants their chief executive to be average." says Prof Elson. "That means there's a natural ratcheting-up effect" in executive pay. Comparisons are invariably used as reasons to raise pay, never to cut it. If other shareholders benefit when a company's stock price rises, meanwhile, it may at least lessen the pain of high pay. However, it does not change the fact that the stock issued to managers has a real cost, and that other shareholders are footing the bill.

American companies have been allowed to downplay this by an accounting rule that permits the cost of stock options to be excluded from their profit and loss accounts. However, investors like Warren Buffett have pointed out recently that this should not be allowed to disguise what is really going on. Writing in the latest annual report to Berkshire Hathaway, his investment company. Mr Buffett pointed out that stock options are a form of compensation, compensation is a cost to the company, and any investor who wants to understand a company's true profits should deduct all costs first.

If concerns like these are beginning to ripple through the US, where high chief executive pay has a long history, then they are also likely spread like wildfire in countries where pay levels have traditionally been lower.

Mr Elson and other US corporate governance experts believe the rash of takeovers of US companies by Europeans makes the spread of American pay practices inevitable. Takeovers like those of Chrysler by Daimler Benz, and of Airtouch by Vodafone, have been accompanied by promises from the new European bosses to preserve US-style pay. But the question is whether US methods will eventually come to affect the new corporate parents themselves. To acquire a company and then pay its executives more than you pay your own employees - or yourself - "is a tough thing to do, from an ego point of view," Mr Elson says.

Elsewhere, management consultants are championing USstyle stock options as a vital part of the revolution that swept over American boardrooms in the 1980s. If the rest of the world wants to copy America's success, it will have to copy its pay practices, too.

That is not an easy message to

ers frequently grumble about is swallow. In Britain, the corporate culture may make it more open to American-sized pay awards than other European countries. but that has not made the arrival of such arrangements any less controversial. "There appears to be a movement in the UK to put a cap on the returns on human capital," complains Mr Kay. "There aren't any caps on the returns on financial capital."

In Germany, big pay awards will take even longer to come, predicts "Bud" Crystal, an outspoken critic of current pay practices. The presence of trades union representatives on supervi-sory boards will act as a break on

So perhaps social and institutional resistance in Europe will slow the spread of big pay awards from across the Atlantic. But in the global company of the future, it will be hard to maintain that set executive pay levels at most companies generally justify corporate pay indefinitely. strong national preferences in

### Political fund

only conclusion from the interna- kov, first deputy prime minister tional Monetary Fund's agreement, in principle, to resume lending in Russia. An IMF mission arrives in Moscow next week to attempt to conceal this political emperor in economic clothes.

They will fool no-one. In the wake of last August's economic and political collapse, the IMF has faced an unenviable choice, it can either lend more money to a communist-dominated government with no economic programme, which does not even pay lip-service to reform, or it can refuse to lend. which would mean that Russia would probably default on its IMF debt.

The fund appears to have judged the former the least-bad option in terms of lost credibility.

If so, it is wrong.

Although the details of the proposed ball-out have not been disclosed, Russian officials have trumpeted their victory in securing enough to cover their IMF repayments this year. Fund officials deny that anything firm has been agreed. However, they have said that the programme will aim at a 2 per cent primary surplus (before interest payments), not the 3.5 per cent the IMF wanted.

Backiracking here is of no steat economic importance. The making them, the fund the poor. But not, Observer is budget plans are largely fictitions. This was little more than risks its integrity.

It's official: Russia really is too shadow-boxing anyway. Hownuclear to fail. This can be the ever, it does prove Yuri Maslyuthe fund would back down. He now has his sights set on writing down Soviet debt. Providing Russia with just

enough money to meet its IMF obligations this year represents little more than an accountant's sleight of hand. That the dollars will never leave Washington is a good thing. Previous IMF loans simply leaked out of Russia. However, it does mean that the world's champion of financial transparency is effectively rolling over loans that went bad following Russia's devaluation and domestic default.
Of course, from a political per-

spective, the middle of the war with the former Yugoslavia is a poor time to refuse Russia's demands for more cash. A holding operation until next year's scheduled presidential elections is sensible on these grounds. If the US, or any other government, wants to bail Russia out for polit-

ical reasons, it should do so. But this, emphatically, is not the IMF's job. Its credibility has already been severely strained. New loans to Russia effectively endorse the government's economic programme of treading-wa-

Bad feeling in the frozen wastes

Arco's assets in Alaska make BP's planned takeover of its fellow oil company look good. But when it comes to Russ things might be a little different. For BP boss Sir John Browne, the world's biggest country is best left unmentioned. Last month his firm wrote down a third of its \$571m investment in Sidanco, a Russian oil company

that's definitely seen better And, unnervingly, Arco's got a Moscow connection too – an 8 per cent stake in Lukoil, Russia's biggest oil firm. What's more, the Lukoil link

might just put Browne face to face again with Vagit Alekperov, Russia's top oil man. Observer hears they share similar traits and don't score high

on suffering fools gladly. But surely that can't have been the reason for an angry encounter between the two a few years Anyway, now they're on their way to becoming partners,

everything's going to be sweetness and light. Isn't it?

St James

Jimmy Carter's widely revered as a globe trotting saint welcomed for his good works for peace and

Twenty years ago, the one-time peanut farmer and US president dealt the island a blow by recognising Communist Beijing as the real Chinese government - despite decades of alliance with Taipei. This week the big-toothed one

finally made his way to the island he affronted and was met with cries of "Traitor, go home!" But Taiwan's bosses gave him a warm welcome, with President Lee Teng-hui - a fellow Christian - keen to take lessons from Jim in how to live life once the

pension starts coming in. And some locals are even coming mund to the view that Carter did the right thing. After all, Taipei's bosses were keen to bolster their authority once they got the cold shoulder from Washington - and eventually went ahead with democratic reform.

So maybe miracles still happen. And one day even Taiwan might join the church of

Bank on it

Nato might be bombing, but Belorade's bankers haven't let that put them off. They're still pushing plans for a \$3bn bank to help rebuild their region once the alarums of war have quietened

Their brainchild aiready has a name - the Balkan Development Bank, a location (Athens) and a financing plan. But some of its cheerleaders might be a problem. apartment at the resort of

The plans were unveiled by Zoran Cicak, an adviser to Beobanka, Yugoslavia's biggest bank, who admits that his government's unpopularity doesn't augur too well for his project. After all, Belgrade, which isn't a member of the European Bank for Reconstruction and Development, would be a big winner if the new bank got off the ground. Cicak reckons that if Israel, Egypt, Jordan and Palestine can set up a Middle East Development Bank together his project may also succeed. And by the time his bank's up and running - which will take at least five years - "the situation will have improved". After all,

**Leaving time** Some countries specialise in

things could hardly get worse.

gold-mining; others in high-tech. Brazil's making a habit of collecting disgraced Paraguayan politicians.

The South American giant is generous to its tiny neighbour's bosses when twilight beckons which helps Paraguay get rid of

So Raúl Cubas, Paraguay's president - undone this month by impeachment and the mysterious assassination of his number two - was always likely to end up in a Brazilian beach paradise.

Cubas, a fluent Portuguese speaker, is settling into his

Camboriú. If he wants any tips on how to play things low key, he could do worse than get them from Alfredo Stroessner, the strong-man who ran Paraguay for 35 years before vegetating in silia during the past decade. Still, there's a limit to

everything - even Brazil's appetite for Paraguayan soiled goods. The country's heaving a sigh of relief that Lino Oviedo, the explosive ex-general who taught Cubas everything he knows, is

#### Plastic fantastic

seeking asylum in Argentina.

Chinese whispers have been circulating about banking behemoth Standard Chartered. The London-based international bank has just put out its annual report with a pretty picture of a credit card adoming the

Only problem is, just before publication, Standard's executives were informed that some of the numbers on the flexible friend had a dubious significance in Chinese-speaking countries - where the bank does a lot of business. So, "44" for example, according to Chinese superstition, means "double

death".
The offending digits were whipped out to be replaced with "5488" - to signify "life beating death and continuous prosperity". Plastic's never felt so

### Financial Times 100 years ago

Teaching In Austro-Hungary The first step in the direction of establishing a system of commercial education in Austro-Hungary was in 1856, when commercial academies were founded in Prague and Vienna. In the earlier days state interference was practically limited to a general supervision of the establishments, but in 1888 a vigorous policy was adopted by the Minister of Education. An Office of Inspection was established, which ensured that all schools throughout the Monarchy were organised on

#### 50 years ago Jet Airliner

New details were released yesterday of the De Havilland 106 jet-powered airliner, which is expected to be in operation on the Atlantic air route in 1952, Four Ghost jet engines will give this airliner a speed approaching 500 m.p.h., and it will fly above the weather at 40,000 ft., which will be its most economical operating height. Thirty-six passengers will be accommodated in fully-reclining chairs. Design of the airliner will be very advanced, with low swept-back wings.



# FINANCIAL TIMES

WEDNESDAY MARCH 31 1999



THE LEX COLUMN

### Out of work ethic

Are Japanese companies finally biting the bullet and restructuring? If the country's unemployment figures are anything to go by, the answer is yes. Last month, the total number out of work rose above 3m for the first time. At 4.6 per cent, the jobless rate is now higher than in the US. Frighteningly for Japanese workers, there seems no respite. Unemployment is growing at 27 per cent year on year - almost back to last August's peak.

One explanation is that companies are, in extremis, turning on their legions of "bubble hires" – workers taken on in the late 1980s when fear of labour shortages led to a recruitment spree. Restructuring plans are certainly getting crunchier. Between 1993 and 1995, the last period of mass-scale retrenchment, these generally involved shedding 5 per cent of the workforce over three to five years. Now they involve 10 per cent cuts in less than three

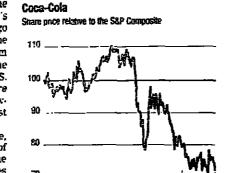
This is not entirely voluntary. One reason companies are getting tougher is because Japanese banks are finally putting pressure on problem borrowers. Long-term, of course, such restructuring is positive for equities. But in the near future the risks remain on the downside. Fear of unemployment is encouraging consumers to save. Consumer confidence. and consumption, is slumping. The recent bounce in Japanese stocks was built mainly on restructuring hopes. Without any sign of an economic recovery, it is unlikely to be sustained.

#### Viag/Alusuisse Lonza

Watching Viag and Alusuisse Lonza extricate themselves from their cross-border conglomerate pile-up has been excruciating. Obviously there is relief that a misguided deal has finally been abandoned. But that is overshadowed by pessimism over what lies ahead. It is not as if either company has admitted the folly of crashing together two hulking industrial groups. Far from it. Although Viag did not relish the prospect of Martin Ebner. the new Alusuisse chairman, shaking up the merged group, the deal collapsed over price, not principle.

The German company remains wedded to its "balanced conglomerate" vision. Since it has failed in this first attempt to disrupting business in eastern Europe.

European News



ness, which provides around 80 per cent of earnings, the risk is that it will strike again soon among the diminishing universe of diversified industrials. With such distractions ahead, the chances of Viag ever demerging its energy and start-up telecommunications business from its low-return industrial interests are slim.

As for Alusuisse, its industrial interests - in speciality chemicals, aluminium and packaging - are in better shape to survive on their own than Viag's. That said, now that the merger between Ciba and Clariant has also been abandoned, there must be a chance at least that one or other will approach Alusuisse for another stab at creating a Swiss speciality chemicals

#### Coca-Cola

time in six months that Coca-Cola has warned of weak sales. Unit case volumes, the best measure of underlying growth, have been deteriorating for a year. In the first half of 1998 they grew at 9-10 per cent; in the second six months they still managed 3 per cent; now Coke expects them to fall 1-2 per cent in this year's first quarter - the first decline in recent mem-

To avoid boring already disappointed investors, the soft drinks group is finding new sources of blame; vesterday it alighted on the Balkan conflict, which is diversify away from its core energy busi- The sombre reality is that Coke's biggest

long-term asset, its global reach, is proving a short-term weakness. Asla is only now bottoming out, Latin America has been hit hard by recession and Europe is sluggish. Even US volumes have slowed, due to recent price increases.

Coke will bounce back, as quarterly comparisons ease in the second half. The addition of Orangina in France and Cadbury's international drinks brands should boost volumes, though both acquisitions still await regulatory approval. Meanwhile, the group and its bottlers are bringing forward some marketing spend. But the cost is likely to be a second year of flat earnings, which is hard to square with a price/earnings ratio of nearly 45 times. The shares continue to offer poor

#### **Drinks venture**

Diageo mark II it is not. But then, with the two smaller links - Highland Distillers and Rémy Cointreau - in this drinks distribution chain virtually bid proof, a joint venture is the next best way to pool resources. Jim Beam is the one putting in cash to gain much better access to Europe. The other two are gratefully tak-ing some out, particularly Rémy. Its crisis management over the past year has seen debts cut by a quarter. This deal should help it restore interest cover to two times

Part of Remy's problem was that it had too few products to put through an expensive international sales network. Now that network is being infused with bourbons and premium wines. It should Worms rather than fizz have popped out also be better focused as a stand-alone of the Coke can of late. This is the third unit. But profit levels will depend on increasing sales, as the scope for cost cutting looks limited. Of the 50 countries covered, only three have overlapping sales forces. And the change is incremental since Rémy and Highland Distillers were already linked.

The network remains thirsty for more complementary product. This means it will pay off handsomely only if others follow Highland in focusing on brands rather than proprietary distribution. But the financial strength of several familycontrolled players suggests a cull of parallel sales networks is some way off. The industry is still walting for the next Diageo-style rationalisation exercise.

### US-based textiles groups face threat from Mexico

By Henry Tricks and Richard Lapper in Cloded Victoria, Temaulipes

US-based textile manufacturers face increased pressure from their leading international competitors building integrated production plants in Mexico to take advantage of low labour costs and the market access provided by the North American Free Trade Agreement.

Current plans include the expansion of a denim factory specifically to supply blue jeans to the US, and a new textiles complex on the Tamaulipas coast.

The aim is to undercut American producers such as Levi Strauss, the brand leader, which recently closed half its US factories and shed 5.900 jobs partly because of low-cost competition from abroad.

Government officials say they have investment pledges from US and Asian companies to develop a fully integrated textile export industry in the north of the country, using locally produced cotton and polyesters to set up a production chain that runs from

Overall, more than \$600m of invest-tile companies] will come here," he ment is planned, and Mexico said. has dislodged China as the leading supplier of textiles to the US.

Labour-intensive "cut-and-sew" garment production plants have been a magnet for the low-wage

The developments are the latest indication that the buoyant maquiladorn sector, which imports raw materials duty-free and re-exports manufactured products to the US, is laying down roots and helping turn northern Mexico into a more sophisticated export platform.

The main reason is Nafta," said Peter Wan, manager at Nien Hsing International, a Taiwanese textile company that is spending \$189m on its denim and leans plant at Ciudad Victoria, in Mexico's north-eastern state of Tamaulipas. No matter where we produce fabric our final market is the US. That's why we

chose Mexico." He said the latest plans could herald further investments in the sec-

fabric to finished product tor. "In the future more of them [tex-

The new plants will also seek to take advantage of Mexico's proximity to the US to respond rapidly to new fashions.

Rivals based in Asia take weeks to send garments by ship. Mr Wan says overall production costs are 10 to 20 per cent lower than those of rivals north of the border, and says his plant is already producing 1.1m yards of denim a month.

It aims eventually to reach 4.4m yards, which, he said, would make it one of the top three denim producers

in the world.

The state government says it has also signed a contract with US fabric producers to set up a \$400m textile complex on the Tamaulipas coast, using nylons and polyesters from nearby petrochemical companies and Mexican-grown cotton to produce fabric.

The two projects, plus two planned Taiwanese and Korean plants worth \$60m. will create 15,000 manufactur-

### Japanese unemployment rate reaches new high of 4.6%

By Paul Abrahams in Yokyo

Japan's jobless rate jumped to a new high of 4.6 per cent in February, and the government admitted for the first time yesterday that corporate restructuring would continue to drive the figure higher.

The rate had remained at 4.4 per cent for the previous three months. Japan's jobless rate now exceeds the US rate by 0.2 percentage points. and analysts say the actual situation is far worse than the headline figure suggests. For the first time, more than 3m Japanese were out of work.

Akitaka Saiki, the prime minister's foreign press secretary, said unemployment was likely to rise in coming months. "There will be more lay-offs," he said. That admission and other disappointing economic data reinforced doubts about the government's argument that Japan's

economy was beginning to recover. In recent weeks, many companies have announced big restructuring packages, including early retirement new graduates. Analysts warned spending. Data released yesterday Lax, Page 18

that unemployment could jump showed a 4.1 per cent contraction in above 5 per cent as early as April. when many groups traditionally take on new recruits.

Recent research by Nomura Research Institute suggested that if under-employed staff were made redundant, the unemployment rate in Japan would be about 15 per cent.

Goldman Sachs, the US broker, warned that the situation was worse than it looked, noting that the number of people employed fell by a year-on-year 770,000, or 1.2 per cent, in February to 63.34m - the biggest fall since 1975.

"Anybody who thinks that corporate restructuring will take just two quarters and then there'll be a recovery is likely to be deluding themselves," warned Brian Rose, economist at Warburg Dillon Read in Tokyo. "There's a real danger that large-scale restructuring could trigger the next phase of the recession."

The drop in employment, together with falling take home pay - hit by reduced bonuses and overtime -

consumption during February by households with at least one worker. The propensity-to-consume index dropped to 67.8 per cent, its lowest level since 1970.

industrial output remains depressed and capital spending by companies continues to fall. Data released earlier this week showed industrial output during February fell 0.6 per cent month on month, well below forecasts.

Taichi Şakaiya, director general of the Economic Planning Agency, conceded yesterday that the economy was in a "more severe than expected condition", adding that it could deteriorate further in the near term.

Most private forecasters believe the economy will contract this year. A poll of 13 financial institutions published this week by Reuters, the news agency, indicated the economy would contract 2.4 per cent in the year to March 31, and a further 0.8 per cent next financial year.

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Alfricae: how to get share prices and merks

details of forthcoming subtortal surveys.

#### FT WEATHER GUIDE

Europe today Most of Spain will be sunny, but north-west Spain and Portugal will have atternoon showers. The central and eastern Mediterranear will have sunshine, but there will be showers across Greece and Balkans will have showers in the east, but sunny spells towards the Adriatic coast. Most of central and northern Europe will be warm and fine with sunshine, but showers are possible in the Low Countries, Denmark, southern Sweden and

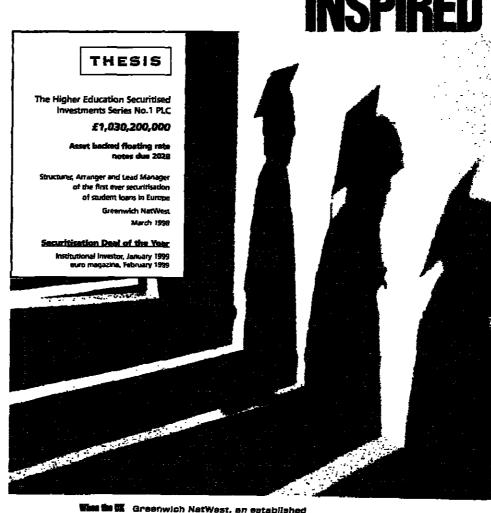
#### Five-day forecast

Most of Europe will be fine, warm and sunny over the next few days. However, an Atlantic cold front will bring the threat of heavy showers to Portugal, western Spain. western France and south-western parts of the British Isles, it will also be cooler and more changeable in the extreme east and south-east of Europe.

( FOM)

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TODAY'S TEMPERATURES L Ange Les Peli Lima Lisben London Without Control

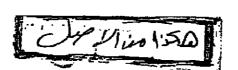


created an entirely new asset class through a special purpose vehicle, ivestments Series (THESIS). The benchmark raising £1.03 billion, with the first tranche oversubscribed. Despite having only two weeks and tw days from receipt of the mandate, Greenwich NatWest was successful in attracting a wide range of quality Investors including UK, European and US institutions. The result was the Year by both institutional inves

For Inspired performance in itisation, contact Andy Clapham. In London on +44 171 S75 5858.

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ASSET SECURITISATION COPPORATE PUBLIC DEBT CHELTI FRACING DEBT DERIVATIVES DEBT STRUCTURING FUTURES HIGH VIELD Loan syndigation mortgage & Asset Bagaed Segurities - Paincipal Finance - Private Placements - Sovereign debt - Structured Engage

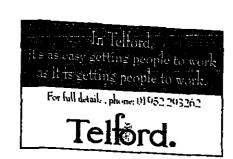


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PROSSWORD, Page 3

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FINANCIAL TIMES

### **COMPANIES & MARKETS**

WEDNESDAY MARCH 31 1999

ruptcies could emerge.

ture its loans,



INSIDE

Last November ABN Arnro, the Netherlands based bank, paid \$2.1bn (€2bn) to buy Banco Real, Brazil's largest bank. Two months later the Brazilian currency crashed, losing 40 per cent of its value. The deal looked like an expensive blunder. Yet Floris Deckers, the Dutch bank's chief executive for Latin America and the Caribbean, remains calm. "We did not buy this bank on a whim." he says. Page 22

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-77.724



Cameroon is now the largest producer of logs in Africa, and there is little forest that has not been logged. The region's tropical forest is the second largest in the world "but it is disappearing in front of our eyes", says Pierre de Maret,

Community-funded project on tropical forest people. He believes that Cameroon's forest is being exploited at a

On March 22 we reported that Mr Greg Bryce was one of five traders who had been under investigation by the London International Financial Futures and Options Exchange and of whom it was expected that they would be found guilty of front running. We now understand that Mr Bryce was never under investigation by Liffe and offer him our sincere apologies for any embarrassment caused by the error.

The debate continued to rage about the relative importance of Kosovo and euro-zone economic weakness on recent falls in the euro as the battered currency recovered above the \$1.07 level by the end of European trading. Page 31

Leon Kreitzman's recent book, The 24-hour Society, argues that 24-hour living is inevitable. Manufacturing companies cannot ignore the economic sense of working round the clock, decreasing downtime on machinery. But should we welcome such developments? Page 26

MRG wins big cobalt sales contract MRG Cobalt Sales, the London based metals trader, has become exclusive cobalt marketing agent for Gecamines, the Democratic Republic

**New Zealand stock market stalls** The hunt to find the money for three soughtafter issues absorbing about NZ\$3.5bn has stalled the New Zealand stock market, diverting attention from an improving economy and better

ABN Amro stands by its Real deal



director of a European

faster rate than is sustainable. Page 32

Correction: Mr Gregory Bryce

War-battered euro begins to recover

Prepare for the 24-hour society

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Three further Japanese groups fail Financial and real estate companies have debts of \$10bn

umph for Endesa. Its proposal Jose Juraszeck, former chief

to lift limits on shareholder executive of Enersis, in 1997

However a second meeting to switch to Endesa Chile, the

The shake-out in Japan's financial and real estate sectors gathered pace yester-day after three companies filed for bankruptcy with collective liabilities of more than

Y1,200bn (\$10bn).

The bankruptcles - of Apollo Leasing, Asahi Urban Development and Fuji Building - highlight the scale of problems still dogging Japan's real estate and finance sector. as the country tries to implement banking reforms. Last year the total value of

group, won an 18-month battle

to take control of Latin Amer-

change the group's sharehold-

More than 84 per cent of

shareholders voted to lift

limits for a single stake from

32 per cent to 65 per cent,

clearing the way for Endesa to

the Chilean group through a

\$1.45bn offer launched earlier

utive of Endesa's international

group now had the mandate to

our plans for Enersis," he said.

operations, said the Spanish equity.

this year.

Asahi Urban Development, a real estate affiliate of the nationalised Nippon Credit Bank, also yesterday told the Tokyo district courts it would habilities from bankruptcies in Japan reached Y14,380bn. Analiquidate itself. The group has Y557.6bn of liabilities, accord-

Endesa wins 18-month

fight to control Enersis

Endesa, the Spanish utilities concentration was rejected by amid charges of improper

less than 1 percentage point at

an extraordinary meeting a

long fight for control which

started with the controversial

\$1.5bn acquisition of regional

was called by two of the eight

pension funds which together

double its 32 per cent stake in hold about 30 per cent of the of a \$2.1bn offer for 51 per cent

Endesa won the support of

most institutional investors

which hold 19 per cent of the

José Antonio Guzmán, Ener-

tion group. "This is the end of ing of the Enersis board, supporting the statute

second casualty of the Spanish

equity in Enersis. Yesterday

Chilean distributors in 1997.

ica's largest electricity holding month ago. Endesa executives

shareholders in Enersis of after the defeat, which they

Chile voted overwhelmingly to saw as the final blow in the

Alfredo Llorente, chief exec- plus US holders of ADRs,

create the region's largest inte- sis president, was expected to grated generation and distribu- resign last night after a meet-

a long battle in which we have which includes three Endesa

been asking to carry forward representatives. He will be the

The vote was seen as a tri- bid after the resignation of

company yesterday when were ready to pull out of Chile in Santiago.

directors' meeting that it

would liquidate with around

persuade creditors to restruc-

lysts suspect that more bankhankruptcy research group. Fuji Building, a medium Apollo Leasing, one of the country's large non-bank sized real estate broker, financial groups, decided at a applied for bankruptcy with debt of Y200bn, according to Tokyo Shoko research, another Y500bn of debts after failing to

research group. The government is encouraging banks to clean up their balance sheets in exchange for Y7.450bn of public funds to boost their capital bases. This injection of money is allowing the banks to take decisions about the multitude of insol-

share dealing. "It's obvious

[Guzman] has to go," said the

head of a US investment bank

Further changes to the

board are expected once the

Spanish group completes its

320 peso a share offer to Ener-

region's largest listed electric-

ity generator and the subject

control by Duke Energy of the

US. The group, which has no

legal relationship with the

Spanish Endesa but in which

Enersis holds 26 per cent, will

vote on April 8 to lift limits on

Mr Llorente reaffirmed End-

esa Spain's commitment to

changes, but would not be

drawn on talk that the Spanish

group will launch a counter-

offer to Duke's bid.

shareholder concentration.

investor focus is now likely

sis investors.

ing to Teikoku Databank, the supporting in recent years. Some are ridding themselves of bad loans by implementing debt forgiveness programmes. Others are cutting off their weakest borrowers altogether. Sakura Bank, a lender to Apollo Leasing, admitted it had been asked last year to forgive about 90 per cent of its Y79.1bn exposure to the leasing group. It refused and admitted it did not expect to

recover all of its loans to Other key lenders to Apollo Lax, Page 18
Leasing include groups such Tokai forgives Y220bn, Page 24

sive exposure to real estate groups. Hokkaido Takushoku. another large bank which failed in 1997, had also extended large loans to Apollo. Apollo Leasing was estab-

lished in 1972 in Sendai, initially as a machine leasing group. However, during the 1980s real estate bubble it expanded rapidly away from its core business into real estate collateral financing. It was badly hit when the bubble burst.



Hugo Boss chief Werner Baldessarina: the German clothes maker has

### Hyundai and Daewoo submit new shake-up plans

By John Burton in Secul

restructuring plans to creditor banks today after the governdoubtful accounting methods to reduce their debts.

Korea's top five conglomerates, or chaebol, had been ordered by the government to cut their ratio of debts to equity to 200 per cent by the end of the year.

revaluing assets to achieve the face sanctions, including the

intended. to reduce their Daewoo will submit new sprawling industrial empires. The economic significance of

the chaebol has increased, as chaebol have gone bankrupt, creditor. with creditors preferring to lend to the biggest groups.

Hyundai and Daewoo, which are considered to be the chaebol most resistant to corporate reforms, were ordered by creditor banks to submit The chaebol have resorted to new restructuring plans or

Korea First Bank, which is being sold to a US financial consortium led by Newbridge ment criticised their use of competing medium-sized Capital, is Daewoo's biggest

> Hyundai's debt/equity ratio was 323 per cent at the end of 1998, while that for Daewoo was 306 per cent, with both relying on asset revaluations to cut their debts. Although Hyundai has sold

some of its US semiconductor its computer and car parts units, it has expanded aggres-

and Hanhwa Energy's oil refining business.

Hyundai, Korea's biggest would sell assets and equity eign capital to pay off debts.

Third-ranked Daewoo has expanded recently by buying Ssangyong Motors, and is negotiating a takeover of Samsell half of Daewoo Telecom,

an equity stake in Daewoo Motors for \$2bn.

But analysts are sceptical chaebol, yesterday said it that Hyundai and Daewoo will be able to attract foreign invesstakes to raise \$6.3bn in for- tors if they insist on retaining management control.

The Fair Trade Commission warned it would conduct an investigation into transactions among chaebol subsidiaries sung Motors. Daewoo plans to next month to determine whether chaebol are subsidising failed businesses with profbusiness, to Newbridge Capital its from healthy units,

### ICI likely to retain minority stake in disposals

By William Lewis in New York and Virginia Marsh in London

Imperial Chemical Industries of the UK is expected to retain a minority stake in the businesses it is planning to sell to

Huntsman of the US. ICI and the large US chemicals group are close to agreeing a deal under which Huntsman would acquire parts of ICI's materials and industrial chemicals division, including its tioxide business.

The transaction will value the ICI businesses at about \$2.8bn, to be paid partly in cash, but the UK group is also planning to take a minority stake in a Huntsman-controlled company which will own the assets being sold.

ICI's shareholding in the business was yesterday described as "significantly, a minority stake" by one person close to the talks. ICI is eventually expected to sell the holding.

The deal is understood to cover ICI's petrochemicals operations based at Wilton on Teesside - specifically ICI's share of olefine production at an ethylene cracker and its aromatics business.

As well as tioxide, the deal is also expected to include polyurethanes, part of its materials division, previously considered a core area. People close to both com-

panies said last night that while a deal between the two was yet to be signed, it was very close to completion. Talks were continuing on ICI's acrylics business, the other materials unit.

The deal is not believed to cover the UK group's halochemicals operations, based in north-west England.

It has been trying to sell its loss-making industrial chemidebt target, instead of selling suspension of new loans, sively in the past year by takassets, as the government Korea Exchange Bank is the ing over insolvent Kia Motors suade General Motors to take when it decided to move into specialty chemicals, buying National Starch and fragrance and flavours operations from Unilever for £4.9bn (\$7.94bn).

> It has committed itself to reducing its debt to below £3.5bn this year, down from £4.2bn at end-1998, after suffering a series of setbacks on disposals in the past year. This included the blocking of the sale of tioxide to DuPont and NL Industries by US regulators. Yesterday, ICl's shares fell in to 560p.



**BARRY RILEY** 

### Hopes rise on Nikkei

even if profitability is

transform those profits is just

beginning to happen. It could,

of course, still prove to be an

illusion, but global investors

feel under pressure to take a

Japanese turnround, or be left

There is a tactical argument,

too. Crossholdings of anything

restructuring process. On the

On the other, there could be

a unique opportunity to take

advantage of forced selling.

The bulls say, indeed, that

after today's balance sheet

date the crossholding sales

strengthen further.

will slow and the market will

Such paradoxes proliferate

in the debate about Japan's

industrial restructuring, for

instance, would shift the cost

corporate to the public sector.

putting even further pressure

Soon, anyway, public debt will hit 140 per cent of GDP,

industrial country since the

second world war. According

to Brian Reading, of Lombard

higher than for any other

prospects. Any substantial

of surplus labour from the

on the public finances.

one hand that represents a

daunting source of overhead

supply, which is bound to

make the stock market's

progress erratic.

up to a third of the pool of

large company equity are

eventually as part of the

likely to be unwound

view now on an ultimate

behind.

unacceptably low.

Tokyo stock market boomlet. It offers a seasonal tonic for those devastated balance sheets. This time, however, the rise in the Nikkei Average ahead of the financial year-end has more than usually reflected foreign buying rather than domestic manipulation. Perhaps, then, the strength of the market - up nearly 15 per cent in January-March so far, at 15,859 - will prove more

Another March 31, another

quarter than last year, when 16,527 on March 31 proved too ambitious a marker. The first burdle will be next Monday's Tankan business opinion survey. Do foreigners really know more about the

value of Tokyo's stocks than

sustainable into the second

the Japanese? The latest Nikkei rally could be dismissed as just another enchmarking distortion, with global equity managers conscious that they

"under-own" Japan compared with its 23 per cent of the EAFE Index at a time of rising stock prices in Tokyo. Meanwhile, they are anxiously searching for somewhere to rotate to out of

highly-priced Wall Street, at a

time when Europe looks

troubled. The calculations have a basis of fundamentals, though even if still risky. First, at about 11 per cent of the world market (having crept back above the UK's capitalisation) Tokyo seems undemandingly priced against the potential of the world's second-largest

economy. On measures like Street Research, the London price to sales there is value, economics consultancy, Japan's true public sector deficit is at least 15 per cent of The restructuring that might GDP.

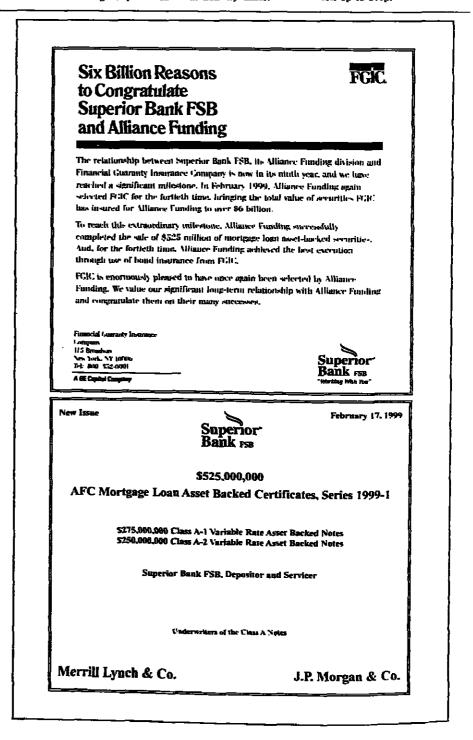
Yet at the same time the private sector's financial surplus is extraordinarily high, so that it has been possible (until now, anyway) to finance the deficit very easily at tiny interest rates.

The same private sector caution has driven the balance of payments into massive and still rising surplus. If this cannot be recycled fast enough the yen will stay strong, at say 110 to the \$, confounding the expectations of all the Americans who argue that Japan must monetise its fiscal deficit and thus push the yen/\$

rate to 150. Of course, both schools of thought might easily prove to be right at different times, bearing in mind that these levels represent no more than the yen's actual trading range of the past nine months. Meanwhile, the Nikkei remains well within its own 13,000-22,000 range established

over the past seven years. We should not expect any quick fixes in Japan. But the problems of the banking system are at last being tackled vigorously. Beyond that, corporate sector restructuring will take many

As always, the stock market will tend to run ahead of the real world, but last October's low of 12,948 now appears as a long-term turning point.



# Consob grills Olivetti over sale of shares

By Paul Betts in Milan

Consob. Italy's stock market regulator, last night asked Olivetti for "urgent explanations" after the company disclosed it had sold 24.4m Telecom Italia common shares much larger privatised tele-

communications group. Olivetti said it had sold on Monday on the market dog had noted large move-€237.5m (\$254.5m) worth of ments in Telecom Italia Telecom Italia ordinary shares on Monday and was

each. After the market tion. closed, it announced it was raising its hostile bid for Telecom Italia by 15 per cent from €10 to €11.5 a share.

Consob said Olivetti should have disclosed the on Monday before raising its sale involving 0.46 per cent Monday and not wait until yesterday.

The stock market watch-

It asked Olivetti to explain urgently the "reasons and methods" of the sale which took many financial analysts by surprise.

The issue is expected to be a serious blow to Olivetti on mount perform the company's package of anti- a loss to explain why Oli- complication and its attempt to mount company's package of anti-Europe's biggest post-war takeover.

Bankers said last night it risked damaging the credibility of the Olivetti bid, which has yet to be formally mal prospectus.

vetti chief executive, also said on Monday he would €60.4bn bid if Telecom Italia shareholders approved the shareholders' meeting on large block of Telecom Italia April 10.

shares at a price well below Franco Bernabe. Telecom its revised offer. Italia chief executive, rejected yesterday Olivetti's Olivetti probably needed to per cent.

shares at a price of €9.7328 about to open an investiga- launched. The market is still revised offer as inadequate raise cash quickly to pay the Roberto Colaninno, Oli- cash, bonds and equity.

> investors during a US road withdraw his sweetened show that Telecom Italia was grossly undervalued. Analysts were last night at takeover measures at a vetti should have sold a the market had widely sus-

awaiting the issue of a for- and consisting of "paper". substantial commitment fees The Olivetti offer involves to the group of banks that have agreed to extend to the Mr Bernabe also told company a record loan totalling €22.5bn to finance its attempted takeover.

Olivetti had never disclosed it had acquired Telepected it had. Under Italy's stock market regulations, a company must only officially Some bankers suggested disclose a stake of more 2

### Pohjola and Suomi merger faces hold-up

By Nicholas George in Stockholm

The merger between Finnish insurers Pohjola and Suomi. which was set to create the country's largest life insurance group, looked set yesterday to be delayed or even cancelled following the resignation of Suomi's board of

The board, all managers of Pohjola, resigned as they felt they did not have the trust of the supervisory board of Suomi, a mutual life insurer. Pohjola bought the right to sell life insurance from Suomi in 1997 for its own life

insurance unit. Preparations have been underway since then for the transfer of Suomi's insurance portfolio to Pohjola

As part of the merger Suomi was to sell its 25 per cent shareholding in Pohjola. The sale would have opened the way for Pohjola to participate in the larger process of insurance industry consolidation in the Nor-

dic region. Pobjola has said it will study whether to participate in the new non-life insurance group to be formed by the merger of the non-life operations of Sweden's Skan-dia and Storebrand of Norway. However, this move is now seen as on hold.

liro Vlinanen, Pohjola's chief executive and a member of the board who resigned, said it was difficult to say what would happen now but that the project would certainly be delayed. "We had a target of the

end of the year but that is not now possible," Mr Viinanen said.

He said the board members' position as managers in Pohjola had led to concerns that there would be a conflict of interest. "The trustees [of Suomi] did not trust that we would be fair in pricing and the terms of the transfer of the policies of Suomi to Pohjola Life as we were selling and buying," Mr Viinanen said.

He said any plans to become involved in the Skandia-Storebrand grouping would "perhaps have to wait a little more"

Following an extraordinary meeting of Suomi's representative assembly yesterday a new board was appointed.

The company said that preparations for the insurance portfolio transfer would continue, as would preparations of "other alternatives safeguarding policyholders'

### Alusuisse, Viag the combination. However, the collapse of the deal take solo paths

and William Hall in Zurich

Viag. the German industrial conglomerate, and Alusuisse Lonza, the Swiss packaging to chemicals group, said yescent of Alusuisse's equity iterday they would press and will make up half of the ahead with independent strategies despite the unexpected collapse of their DM40.95g (€20.95g, \$22.45g)

> Wilhelm Simson, Viag chairman, said the two had not separated with bitter

great benchmarking Viag. which earns the bulk power generation, would egy of industrial and service

However. Sergio Marchionne. Alusuisse chief executive, said the original the need to establish critical mass in the group's core packaging, aluminium and

chemical businesses again about reskinning a goal of becoming "best in class".

Alusuisse shares closed SFr23 lower at SFr1,632 yesterday. Simon Marshall-Lockyer of BT Alex Brown said Alusuisse might turn to Switzerland's speciality chemicals sector in its search for a partner.

The collapse of the proposed merger of Clariant and Ciba Specialty Chemicals meant that they might be open to a merger which would help give Alusuisse's Lonza chemicals business about SFr10bn (\$6.7bn) was not much different from that of the other two companies.

allowing a merger of equals. However, Viag and Alusuisse emphasised vesterday that Germany's rigid accountancy rules in valuing mergers had been the critical fac-

tor in killing the deal. Mr Simson said the main difference between the initial valuation of Alusuisse and Viag at 35 per cent to 65 per cent respectively and the remained an unresolved final valuation by the indeissue. "The last thing I want pendent auditors. BDO. to do is start talking to Viag came about after the auditors valued the hidden cat," he said. But he said reserves and industrial Alusuisse would consider stakes of Viag's subsidiary. other deals to achieve its power company Bayernwerk.

### The worm in the wedding cake for would-be partners

merger fell apart officially because of differing valuations of the companies, writes William Hall n the end, the collapse of

Swiss-German

one of Europe's biggest cross-border mergers foundered on the Hauptiachausschuss. At least that is the official version of why Switzerland's Alusuisse Lonza and Germany's Viag have been unable to consummate an ambitious merger which would have created Germany's sixth biggest industrial group.

The Hauptfachausschuss des Instituts der Wirtschaftsprüfer in Deutschland (HFA) is a body of auditors which acts as a legal referee for valuing German mergers.

Yesterday Viag and Alusuisse went out of their way to explain how the execution of their carefully crafted strategic deal had fallen apart because the HFA valuation did not support the 35/65 valuation split agreed at the time of last Novem-Sergio Marchionne, an

accountant and Alusuisse's chief executive, said both against market value of sides had done everything possible to try and overcome the unexpected problem.

By Paul Betts in Milan

A merger between Milan's

two largest banking groups.

Banca Commerciale Italiana

(BCI), yesterday appeared to

be moving closer amid signs

that Mediobanca, the secre-

tive Milan investment bank,

and Assicurazioni Generali,

the country's leading

ing mounting a counter bid

ali's chairman and Medio-

banca's deputy chairman.

vesterday said Generali's

on any "extraordinary

Generali, 12 per cent

owned by Mediobanca, was

widely considered by finan-

cial analysts as the Milan

Antoine Bernheim, Gener-

insurer, were not consider

for BCI.

operations"

advised by Goldman Sachs, one of the world's most prestigious investment banks.

The US investment bank had also provided a fairness opinion for Alusuisse's shareholders, and J.P. Morgan had provided a similar opinion for Viag. However, the valuations underpinning the fairness opinions differed radically from the HFA valuations.

Alusuisse said that Viag was valued at DM52.67bn (€26.93bn, \$25.13bn) under HFA principles, compared DM27.3bn, and Alusuisse was valued at DM25.39bn. DM13.6bn. The need to involve the HFA highlights a

Central European Media

private commercial television

in east Europe, suffered a

net loss of \$125m last year,

London and William Lewis

investment bank's main

vehicle to challenge UniCre-

dito's bid to merge with BCi

The proposed UniCredito-

boosted by a landmark deci-

sion by Mediobanca's own

syndicate of controlling

shareholders. The members

of the syndicate unani-

in New York. The group,

write Kevin Done in

UniCredito Italiano and Enterprises, the pioneer of

board had taken no decisions BCI merger was further

comes to trans-national mergers, Mr Marchionne

But it also points up a flaw in the structure of the proposed two-step deal that raises questions about the effectiveness of the SFr20m (\$13m) spent on the investment banks and accountants advising Viag and Alusuisse.

The first step was the creation of Alpen, a holding company, to acquire Alususse. It did not need HFA approval. However, it had to become involved in the secber's merger amouncement. with a market value of ond step involving the amalgamation of Viag into Alpen. This was necessary to get rid of potentially troublesome minority shareholders.

Viag had to get HFA

which announced on

be taken over by SBS

transaction valuing the

company at \$615m, has

chiefly from problems in

accumulated losses arising

the next few weeks a change

in the rules governing the

bank's shareholders pact as

well as new corporate gover-

nance rules to ensure a

greater affinity between the

views of core shareholders

In the past, core share-

rubber-stamp decisions and

strategies adopted by Medio-

tended to

and management decisions.

holders

mously agreed to consider in banca and Enrico Cuccia, its

Monday night that it would

Broadcasting in an all-share

Eastern European problems produce losses at takeover target CME

man corporate law, and if members of Viag's superviboard ignored the HFA's ruling they would be personally liable.

One of the big problems was that there was a substantial difference between Swiss and German entities in the calculation of distributed profits of each entity. The amount of Alusuisse's profits taken into account under HFA rules was 52.5 per cent and in Viag's case was 65 per cent. "However much we twisted, the HFA process would not reconcile the difficulties in the aftertax proceeds," said Mr Marchionne.

By then it was too late to consider scrapping the secbig weakness in German approval of its valuation. It ond step, since the existence accounting rules when it is a requirement under Ger- of a differing HFA valuation

Poland and Hungary.

The company said that

to \$34.7m, from \$11.7m in

\$125,25m, on net turnover

of \$182m, from a net loss of

\$85m in 1997 and a net loss

all-powerful 92-year old hon-

The Mediobauca share-

holders' decision is expected

to undermine further the

position of Vincenzo Mar-

anghi, the bank's chief exec-

utive and for years the pro-

tege of Mr Cuccia. Mr

Maranghi's management of

the bank has come under

increasing criticism and his

position is now under threat.

orary chairman.

1997, net losses rose to

while operating losses tripled

would be a built-in incentive shares, says Mr Marchionne. Nevertheless, the HFA

alks should continue but sets stiff condi

Mar 29: Viag supervisory board meets and a proceed with merger on basis of 67,5:32.5

to renegotiate the terms

Mar 28: Theodor Techopp, Alusuesse charman resigns

necause unable to support merger. Martin Ebner, Swi shareholder activist, named to replace Tschopp as

process had not thrown up any insurmountable problems when Viag and Alusuisse did a dry run simulation prior to last November's merger announcement. It had been carried out by KPMG, accountants to both companies, and reviewed by German accountants BDO.

owever, the second time round proved more difficult. BDO. jointly appointed by both companies, carried out the HFA review and was supervised by Warth & Klein, a Dusseldorf auditor. The result was that the HFA valuation

The takeover by SBS

of Europe's largest

stations.

broadcasters with 18

continent and 12 radio

Broadcasting will create one

television stations across the

Marco Tronchetti Provera.

chairman of the Pirelli tyre

and cables group as well as a

Mediobanca board member.

is understood to have led the

move to change Medio-

banca's corporate gover-

nance rules. He was sup-

ported by Paolo Fresco.

chairman of Fiat, who is also

a member of Mediobanca's

Lucio Rondelli, UniCredi-

shareholders syndicate.

35.65 to 32.567.5. Viag's for people not to tender their board had no choice but to accept the new valuation. putting the onus on Alusuisse to accept a lower valuation.

Reducing the Alusuisse share by two-and-a-half percentage points does not seem rerribly large amount, given the strategic value of means Martin Ebner, Switzerland's best-known shareholder activist, and Alu.: By Uta Hamischfeger in Munich suisse's chairman-in-waiting. can concentrate on doing the deals for which he is famed.

He and his long-time business ally Christoph Blocher now control close to 30 per

BCI and UniCredito draw closer to a merger

to's chairman and another i feeling. Instead, the whole Mediobanca board member. exercise had done Viag good, critical mass. Mr Marshallalso emphasised the need to i "since the due diligence pro- Lockyer said Alusuisse's change the rules in view of cess allowed us to get a market capitalisation of his bank's proposed merger with BCI since the combined

banking group would of its profits from electric become Mediobanca's single largest shareholder with 17.6 | pursue its double-pillar stratper cent of its capital. Uni-Credito and BCI each own activities. 8.8 per cent stake in the investment bank. Mr Rondelli argued the

proposed merger with BCI rationale for the merger ~ would help reinforce Mediobanca's shareholding structure. He also told the investment bank's board that UniCredito was interested in seeing Mediobanca remain independent and that it was purely focused on merging with BCI to form a competitive new banking group with L500.000bn in total assets.

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In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 5.25% per annum and that the interest payable on the relevant inte Payment Date September 30, 1999, against Coupon No. 29 in respect of U.S \$10,000 nominal of the Notes will be U.S.\$268.88

Global Agency and Trust Services, Clibank, N.A. London March 31, 1999, London

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Subordinated Floating Rate Notes Due November 27, 2035 Notice is hereby given that the Flate of Interest has been fixed at 5 0375% in respect of the Original Notes and 5 125% in respect of To some the Common Notes, and that the interest payable on the relevant interest Payment Date April 30, 1999 against Coupon No. 162 in respect of US\$10,000 normal of the Notes will be US\$41,98 in respect of the Original Notes and US\$42,71 in respect of the Enhancement Notes.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due October 25, 2005 Notice is hereby given that the Rate of Interest has been fixed at \$.0375% and that the interest payable on the relevant interest Payment Date April 30, 1999 against Coupon No, 162 in respect of US\$10,000 nominal of the Notes will be US\$41.98.

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ABBEY NATIONAL Abdij Nationaal First Capital B.V.

> U.S. \$75,000,000 Subordinated Guaranteed Floating Rate Notes Due 2002

For the Interest Period 30th March, 1900 to 30th September, 1999 the Notes will carry an Interest Rate of 5.125% per annum. The Coupon Amount poyable per U.S. \$1,000 Note will be U.S. \$26.19, and for the U.S. \$10,000 Note, U.S. \$261.94, and for the U.S. \$20.000 Note, U.S. \$261.94, and for the U.S. \$100,000 Note, U.S. \$2,619.44, payable on 30th September, 1999. Lested in the London Stark Exchange

Bankers Trust Company, London

Agent Bas

companies listed on the

stock exchange. These will

be the parent company Fiat

Spa. Magneti Marelli, its car

components subsidiary, the

Toro insurance company and

the New Holland form and

The move confirms Fiat's

intention to expand in this

sector of the automotive business, contradicting mar-

group was considering a dis-

for all outstanding savings

and privileged shares of

Toro Assicurazioni in a

Through Toro. Fiat has

successfully developed new

financial and insurance ser-

vices for its car customers.

But through Toro, the Turin

group is also a core share-

holder in Banca di Roma, the

large Rome bank now the

merger bid from San Paolo-

IMI, the Turin bank in which

the Fiat Agnelli family are

Toro savings and privileged

shares in a bid worth a total

Fiat owns 60 per cent of

Toro's common voting stock

and 36 per cent of the insur-

ance company's total capital.

If all outstanding savings

tendered, Fiat would end up

Fiat is offering 69 for each

also core shareholders.

of \$637m.

move to consolidate its con-

Fiat is to launch an offer

posal of Comau.

trol of the insurer.

earthmoving machinery

Fiat buys to

subsidiaries

Italy's largest

manufacturing group, yes-

terday announced two sepa-

rate acquisitions to establish

itself as the world teader in

automated production systems for the automotive

industry and to consolidate

its control of Italy's Toro

The Turin automotive

Progessive Tools and Indus-

tries (Pico) of the US for

\$350m in cash and absorbing

\$280bn of the US company's

debt in a transaction involv-

The combination of Pico

and Fiat's Compu subsidiary

will create the world's big-

gest group in factory auto-

mation and production

systems for the automobile

industry, with combined

sales of about \$2bn this year.

string of recent acquisitions

leading position, including

the acquisition of a control-

ling stake in Renault Auto-

mation and of another

Fiat also plans to buy the

minority interests it does not

own in Comau ahead of a

reorganisation of its indus-

Fiat will delist Comau

from the Milan stock

exchange as part of its strat-

of the group and its subsid-

trial production systems.

French group, Sciacky,

The US deal follows a

insurance company.

ing a total of Seguen.

strengthen its

group said it was acquiring ket rumours that the Italian

by Comau to reinforce its target of a share exchange

# njola and omi merger es hold-up

USINSSE. Viag

ke solo paths

#### COMPANIES & FINANCE: INTERNATIONAL

JAPAN FORCIBLY NATIONALISED GROUP ISSUES APOLOGY

### LTCB shareholders to lose all investments

By Gillian Tett and Naoko Nakamae in Tokyo

Shareholders in Long-Term Credit Bank, the ailing Japaiese group which was forcibly nationalised last year, will lose all their investments in the group, the Japanese government has

The Financial Reconstruction Commission, the Japanese institution which is implementing banking Daiwa Bank, Dai-Ichi Mutual

shares of LTCB at zero. Ear lier this decade, the shares

were trading at about Y3 our LTCB vesterday apologised to former shareholders, saying: We thank you for your long support for LTCB and we regret that events have turned out like this."

The decision means that LTCB's largest shareholders.

companies moved sharply in

response to the news.

Amgold rose 29 per cent or

R67.20 to close at R295.60.

and Anomint rose 17 per

cent or R18.20 to R129. Anglo

Anglo is offering 140 of its

shares for every 100 Amgold

shares in a transaction

worth R3.5bn, and is expec-

ted to end up with 53.7 per

cent of AngloGold, its

Anglo said, was to increase

its stake in AngloGold and

"tidy up further the Anglo

The purpose of the deal,

focused gold mining arm.

and Nippon Life, have result of the nationalisation. The announcement could also add to the controversy over the impending sale of

the bank's remaining healthy assets. The government is likely to face a deli-cate political task in deciding what price it will seek

from any potential buyer. Takashi Anzai, LTCB ores-

ident, said that he hoped to

the bank before the end of had now bought all the incurred large losses as a April. Meanwhile, Goldman Sachs, the US investment sule has been offered a large financial incentive to con-

clude the deal by this date. However, no Japanese bank has yet expressed a serious interest in LTCB's bealthy assets, and senior Japanese officials have stated publicly that they

Consequently, another option now being considered by Goldman Sachs would be sell LTCB as a short-term financial investment, which a potential purchaser could

later break up and resell. This proposal has aroused strong interest among some US investment groups, but is regarded with deep unease by the Ministry of Finance. In particular, senior bureaucrats fear that Japanese poli-

ticians would strongly criti-

investors buying LTCB's the government had used public funds to remove the bad loans.

due soon to sell Nippon Credit Bank, the second to have appointed a bank to advise on the sale earlier this month, but this decision

### Anglo American tidies up | Hapoalim lifts income

**By Victor Matlet** in Johannesburg

Anglo American, the South African conglomerate that is moving its domicile and primary stock exchange listing. American, however, fell 7 from Johannesburg to Lon- per cent or R16 to R211.40. don in May, yesterday announced further plans to tidy up its complicated corporate structure in two deals worth R83hn (\$1.3bn).

Angle is buying the shares it does not already own in its subsidiaries Anglo American Gold Investment (Amgold), with stakes in various gold and minerals groups and Anglo American Investment Trust (Anamint), whose only asset is 26.9 per cent of De Beers, the Anglo diamond company. Amgold and Ana-

mint will be delisted. Share prices of the affected ing value of its assets".

American Corporation group structure by eliminating an intermediate listed bolding price has historically traded at a discount to the underly-

Anglo gave similar reasons for the R4.8bn Anamint deal Anamint shareholders are being offered 59 Anglo shares - or an alternative of 56 De Beers Centenary linked units and 29.5 Anglo shares - for every 100 Anamint ordinaries.

Angle is one of several large South African groups seeking to become more attractive to international investors by moving to London and simplifying labyrinthine structures that developed under apartheid.

"They promised to deliver action on restructuring and this is now the 20th major transaction," said Ken Costa. vice-chairman of Warburg Dillon Read in London. which advises Anglo. "They are delivering the restructuring on a rapid timetable."

By Avi Machilis in Tel Aviv

a foreign purchaser.

Bank Happalim, Israel's biggest bank, yesterday said a decline in doubtful debt provisions during 1998 helped it lift net income 3 per cent during 1998 despite an economic slowdown.

Net income climbed from \$273.3m in 1997 to \$282.5m in 1995. Top line profit from financing activities before doubtful debt provisions slipped 4 per cent from \$977.6m to \$939m over the same period. But provisions dropped 28 per cent from

\$186.7m to \$136m. "These are not growth rates that we have been used to in recent years," said Amiram Sivan, chief executive. "But we are definitely satisfied."

Mr Sivan said Israeli nex, the Israeli partners of price.

US Bancorp Piper Jaffray. banks have continued growing despite a three year eco-Hapoalim said it will issue Shklbn in capital notes, or nomic slowdown because the economy is not highly leverdebt, on the domestic market during the second quarter to aged. Analysts say the ratio lift its capital adequacy ratio of credit to gross domestic currently at 8.74 per cent product in Israel is only 75 per cent, compared with to recent regulations by the between 100 and 130 per cent in European economies. At Bank of Israel. Hapoalim, credit to the pub-Last year was a transition

for Bank Happalim, after the lic grew 17 per cent last year to Shk120bn (\$29,5bn). Analysts also said Hapoaltrolling stake to a group of im's decline in doubtful debt investors headed by Ted Ariprovisions indicated it was son, the US-Israeli hillionwell positioned to ride out aire. Shlomo Nehama, Hapoalim chairman, said the the slowdown. "Their asset quality appears to be suffer-Arison group plans to increase its stake - more ing less from the slowdown and last year's depreciation than 45 per cent - even of the shekel versus the dollar than the other banks." options for an additional 14 said Micha Goldberg, bankper cent because the option ing analyst at Nessuah-Zanprice was above the market

### with 77 per cent of Toro's

#### **NEWS DIGEST**

egy to simplify the structure and privileged shares were

**AUTOMOTIVE INDUSTRY** 

Fiat will be left with four capital.

#### **BMW** cautious about global demand for cars

BMW yesterday gave a cautious outlook for 1999, mostly due to the expected falling global demand for cars and continued difficulties at its UK Rover unit. It said it hoped to reach at least the level of last year's sales and profit. In 1998 BMW posted DM63.13bn (£32.3bn, \$34.6bn) in sales, up slightly from DM60.14bn in 1997, while net profit was down 28 per cent at DM903m from the year-earlier DM1.25bn, mostly due to falling sales of its Rover brands.

BMW's forecasts for 1999 assume yet another hefty loss

at Rover. This is despite the fact that Rover's main restructuring charges in 1998 - when BMW spent about DM300m for personnel charges at Rover and about DM300m for the depreciation of Rover's fleet management and used cars - will not re-occur. In the first quarter alone, deliveries of BMW cars were down 5.1 per cent at 280,000 units from 295,000 units in the January-March period in 1998, but BMW said it would nevertheless reach ast year's first-quarter sales level.

While BMW brand car sales and Land Rover sales rose in the first three months of 1999, Rover car sales fell 38 per cent. Joachim Milberg, BMW chairman, attributed falling Rover sales to the discontinuation of three Rover models, the Rover 100, 600 and 800, the introduction of its Rover 75 model and the strength of sterling. Uta Hamischfeger, Munich

CLOTHES

#### **Hugo Boss predicts sales rise**

Hugo Boss, the German clothes maker, yesterday predicted a 9 per cent rise in sales this year to DM1.46bn (€747m, \$800m), but a smaller rise of 3 per cent in net profit to DM100m. The company said its results would be affected by planned expenditures on a new production site for men's clothes and on start-up costs of DM50m for a new Milan-based women's clothes division

Hugo Boss is aiming for sales of DM100m from the women's collection in 2001, the first full sales year, and annual turnover of DM300m in the medium term. The company's management is proposing to make it easier for investors to trade its shares by implementing an 11-for-

Group sales rose by 17.7 per cent last year to DM1.34bn, helped by a strong performance in Germany and other core European markets, and net profit rose by 18.2 per cent to DM97.3m. Tony Barber, Frankfurt

#### AGRO-INDUSTRIALS

#### Montedison increases 12%

Montedison, the Italian agro-industrial group at the centre of market takeover speculation, yesterday reported a 12 per cent rise in 1998 pre-tax profits before extraordinary gains and charges to L1,668bn (€861m, \$925m). Sales rose 5 per cent to L24,870bn. Group net profits totalled L656bn compared with L1,490bn the year before.

However 1997 net profits included a special gain of L1,000bn from the sale of Montedison's 50 per cent stake in the Montell chemicals venture to Royal Dutch/Shell, the Anglo-Dutch oil company that already owned the other 50 per cent of Montell. Although investment spending increased from L1,539bn in 1997 to L2,262bn last year, the Italian group further reduced its financial indebtednes by L533bn to L2,698bn at the end of 1998. Paul Betts, Milan

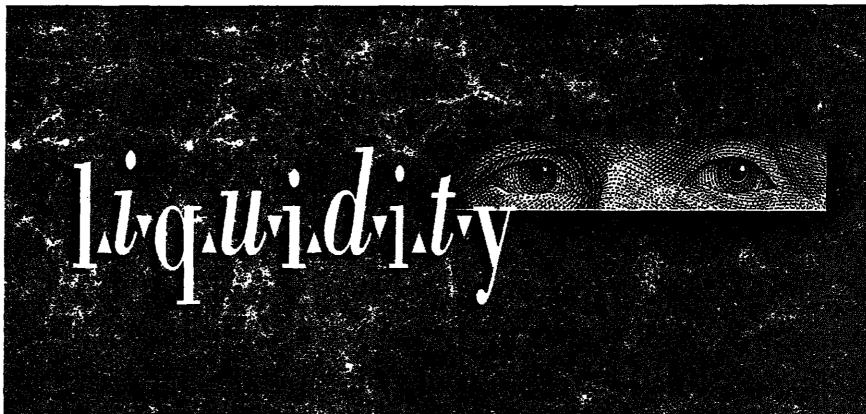
#### **PHARMACEUTICALS**

#### Roche reports individual arms

Roche, one of the world's largest pharmaceutical companies, has released profit figures for each operating division for the first time. Pharmaceuticals, which accounts for 60 per cent of sales, had an operating profit of more than SFr3bn (\$2.02bn) and an operating margin of 21 per cent. Vitamins and fine chemicals is the second most profit-

able division, contributing operating profits of SFr673m and a margin of 19 per cent. Diagnostics, where Roche has been expanding rapidly, had operating profits of SFr578m and a margin of 13 per cent. Fragrances and fla vours had operating profits of SFr263m and a 13 per cent margin. William Hall, Zurich

You want



### for German Pfandbriefe?

It's easy to see why there is growing interest in German Pfandbriefe, Germany's largest bond market with some € 1 trillion outstanding. First, there is safety. Thanks to the stringent legal framework of the Mortgage Bank Act, Pfandbriefe have an unsurpassed record for safety. Second, Pfandbriefe usually offer a yield pick-up over Bunds. As for liquidity, the emergence of the Jumbo Pfandbrief market - with total issuance amounting to more than € 200 billion since mid-1995 has spearheaded the liquidity and transparency of the Pfandbrief market as a whole, offering numerous opportunities for spread trading. For Jumbo issues (€ 500 million or more), at least three market-makers pledge to quote tight spreads on amounts up to € 15 million. For traditional Pfandbriefe, issuers actively maintain a secondary market. Trading and transparency are enhanced by the PEX Index for traditionals and the JEX Index for Jumbos.

For further information about German Pfandbriefe, please contact the Association of German Mortgage Banks (VDH) in Bonn, Germany, Fax (+49-228) 9 59 02 44. E-mail: vdh@hypverband.de

### The German Pfandbrief

Solid from the ground up



#### **GERMANY'S MORTGAGE BANKS**

HYPOVEREINSBANK AG, MÜNCHEN DEUTSCHE HYP, FRANKFURT AND HAMBURG

EUROHYPO AKTIENGESELLSCHAFT, FRANKFURT

and lübeck RHEINHYP, FRANKFURT

HYPOTHEKENBANK IN ESSEN AG, ESSEN

DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKEN-BANK AG, HAMBURG

BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG, BERLIN AND HANNOVER

ALLGEMEINE HYPOTHEKENBANK AG, FRANKFURT

WESTHYP, DORTMUND BAYERISCHE HANDELSBANK AG, MÜNCHEN

WÜRTTEMBERGER HYPO, STUTTGART

RHEINBODEN HYPOTHEKENBANK AG, KÖLN

DEUTSCHE HYPOTHEKENBANK (ACT.-GES.). HANNOVER

SUDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN

MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN nürnberger hypothekenbank, nürnberg

DEXIA HYPOTHEKENBANK BERLIN AG, BERLIN

BFG HYPOTHEKENBANK AG, FRANKFURT

SCHLESWIG-HOLSTEINISCHE LANDSCHAFT

HYPOTHEKENBANK AG, KIEL

WL-BANK, MÜNSTER **WÜSTENROT HYPOTHEKENBANK** 

AKTIENGESELLSCHAFT, LUDWIGSBURG

M.M. WARBURG & CO HYPOTHEKENBANK AG,

DÜSSELDORFER HYPOTHEKENBANK AG, DÚSSÉLDORF

BEVERAGES SOFT DRINKS GIANT'S WARNING OF FALL IN GLOBAL VOLUMES TAKES ANALYSTS AND INVESTORS BY SURPRISE

### Sales drop hits Coca-Cola shares

By Betty Liu in Atlanta

Shares in Coca-Cola slid in early Wall Street trading said Jennifer Solomon, bevyesterday after the US soft erage analyst at Salomon global sales volume would drop by between 1 per cent and 2 per cent in the three months ending March - the first quarterly decline in severai years.

The announcement took analysts, many of whom were expecting worldwide at \$1.40. volumes to increase slightly. by surprise and indicated that the global crisis that has hit demand for the soft drink is far from over.

ber! thinking the worst was \$50 in the near term. behind us. Clearly, it's not," rating on Coca Cola from "buy" to "neutral".

Goldman Sachs, meanwhile, withdrew the stock from its recommended list. labelling it a "market performer" and estimating earnings for 1999 will remain flat

Investors dumped the shares in morning trading, dragging them down \$11. or 3 per cent, to \$62%. Salomon said Coca-Cola could see its

about 70 per cent of its profits from outside the US, has drinks giant warned that Smith Barney, which cut its been hit by tumbling demand in Asia and Latin America – areas that in recent years have seen explosive growth.

> that sales volume would drop 4-5 per cent in Latin America, compared with a reported 19 per cent increase in the first quarter of 1998. Similarly, sales in Asia -

including China, one of the

group's most lucrative mar-

kets - are expected to slip

The group said yesterday

Efforts to improve sales overseas have yielded poor results. Last year, for example, Coca-Cola tried introducing a returnable low-cost bottle in Indonesia in the hopes of jump-starting demand amid the country's worst economic crisis in decades.

Car sweepstakes and coupons were also introduced in quarter. Germany and Russia to help stimulate consumption, but demand in these countries, as well as in Japan, South

11,51

13.76

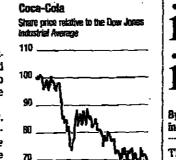
87.57

(USSm)

"We upgraded (in Decem- share price slip to around 1-2 per cent, compared with Africa and throughout easta reported 18 per cent jump ern Europe remained Coca-Cola, which derives in the first quarter of last depressed and was likely to stay that way in the short-term. Salomon said.

> Of most concern, however, is the slowdown in sales volume in the US, which in the past year has remained the one bright spot for the company. Coca-Cola expects volume to increase in the US by about 2 per cent, much lower than the 4 per cent analysts predicted for the first

> The sales volume decline is



PepsiCo, continued to rise at its anchor bottler, Coca-Cola

1993

### Taking confidence in the Real deal

ABN Amro believes its \$2.1bn purchase of includes a small privatised Brazil's Banco Real was a sound investment, writes John Barham

bank, paid \$2.1bn to buy Banco Real, Brazil's fourth Netherlands and the US Midlargest bank.

Two months later, the Brazilian currency crashed, losing 40 per cent of its value. Instead of being a masterstroke, the deal looked like an expensive blunder.

Yet Floris Deckers, the Dutch bank's chief executive for Latin America and the of its equity is held in Caribbean, appears com- branches and subsidiaries mendably cool. "Of course, we would have liked to choose our timing," he says. "But a bank like Banco Real does not come along any time. We did not buy this bank on a whim."

presence in Brazil, mainly servicing multinationals. It also owned Brazil's second largest vehicle finance company. The bank had been on the lookout for an acquisition for some time and began talks with Aloysio Faria, the bank's former owner, two years before clos-

ing the deal Investors Services - which cut the parent bank's credit rating last December, largely

Limited (MTCL).

**ENTERPRISE PROFILE** 

**BID INFORMATION** 

Friday, May 28, 1999.

ast November, ABN exposure to Brazil - says the Amro, the Netherlands- Banco Real acquisition still based international makes sense. ABN Amro's two main markets - the west - are saturated, and Brazil is now its third larg-

est market. Mr Deckers dismisses concerns that devaluation was such a calamity, noting that Banco Real was shielded from the full effects of devaluation because 50-60 per cent

aim to be one of them

devaluation.

four years.

inherited Banco Real from his father, ran the bank as an autocrat who inspired fierce loyalty. His overbearing style is still visible: a slogan, based on the national motto and nailed in big metal letters on the wall of the bank's lobby, reads: "Order without progress is useless. Progress without order is false."

Mr Deckers says he is less of a stickler for formality. but does insist on strict

state bank in the impoverished north-east of Brazil. return 18 per cent on the investment within two to

'In the future, there will be five or six big banks, including ABN Amro already had a two foreign-owned ones, and we

tion will still burt credit quality and profits, and Mr Deckers needs to make Banco Real, with its \$13.76bn in assets, work all the Alan Reid, of Moody's harder to make up the equity lost with the nies "it did not understand. I

He wants to see the Banco because of its increased Real group, which now level of understanding", aim to be one of them".

But combined with a internal controls and expects severe recession, devalua- performance targets to be met. The bank needs a more aggressive credit culture without compromising the balance sheet's integrity, Mr Deckers says. Under Mr Faria. Banco Real did not lend to compa-

**CONTRACTS & TENDERS** 

**DIVESTITURE OF STATE-OWNED ENTERPRISES** 

MIM TIMBER COMPANY LIMITED.

▲ Implementation Committee ("DIC"), hereby invites interested persons

MTCL is a 100% state-owned limited company located at Mim in the Brong

Ahafo Region. The company was originally established as a sawmiller and

raw timber producer but under Government of Ghana control it has become

a manufacturer and exporter of processed wood products. The Company's

principal export market is to the European Union countries where it has a

Bid documents (including detailed bid procedures) will be provided to

interested persons upon return of DIC's standard form confidentiality

undertaking, duly signed, and payment of the appropriate fee. Bids from

persons who do not comply with these requirements will not be accepted.

Completed bids must be delivered to DIC on or before 1700 hrs (GMT) on

Interested persons should contact:

**EXECUTIVE SECRETARY** 

Divestiture Implementation Committee

F35/5 Ring Road East, North Labone

P.O. Box C 102, Cantonments

Acera, Ghana

Tel: (233-21) 772049, 773119, 760281

Fax: (233-21) 773126

Email: dicgh@ncs.com.gh

solid reputation for quality of product and reliability of supply.

to submit bids for the acquisition of the assets of Mim Timber Company

The Government of Ghana, acting through its agent the Divestiture

The ageing Mr Faria, who

bequeathed a sound balance sheet to ABN Amro. Mr Deckers says: "This is a good bank. It has no excessive capital. There is no need for surgery." Other foreign banks, such as HSBC, Banco

> Brazil's banking system is in good shape to weather the crisis, thanks to \$55bn in

Santander and BBV, bad to

spend heavily on tidying up

their troubled Brazilian

Upgrading Banco Real's

information technology is

Yet Mr Faria's conserva-

tism also meant he

also a high priority.

government bail-outs. But there are still 103 commercial banks and the market is ripe for consolidation. Mr Deckers says that in the future, "there will be five or six big banks, including two would rather increase the foreign-owned ones, and we

### likely to worsen as prices. Lex, Page 18 years by competition from Corel rises on link with PC

Chips Group

By Scott Morrison in Toronto

Shares in Corel surged 22 per cent in early Toronto trading yesterday after the struggling Canadian software group signed an agreement that will see its Word-Perfect products shipped with every motherboard package produced by PC Chips Group, the Hong Kong

computer manufacturer. Corel said it expected PC Chips to ship 18m copies of WordPerfect Suite 8 in 1999. The alliance also calls for a joint marketing campaign for Corei's future word processing, graphics and e-com-

merce products. The agreement was seen as giving Corel much broader global reach, but analysts noted that an alliance with leading PC manufacturers such as Compaq or Dell would have had much greater impact.

It was not clear how much revenue the agreement would generate. In most cases, software is provided to manufacturers at low cost with the expectation of earning revenues as users purchase upgrades.

Michael Cowpland, Corel

would make Corel a leader in business productivity applications in the sub-

US\$1,000 PC market. PC Chips sells motherboards and other peripheral products such as CD-Roms, floppy drives and graphics boards to third parties under its own brand names in more than 30 countries.

PC Chips' brand names include Protac in Europe and Asia. as well as ECS and Astral in the US. Over the past year. Corel

has overhauled its executive team, cut costs and reorganised its sales structure in a bid to revive its fortunes. The company had carved

out a lucrative niche with its | money. Peter Swan, an ana-CorelDraw software, but ran ! lyst at Olde Discount. into difficulties when it | believes it will step up share acquired WordPerfect, the repurchases and look for word processing package, acquisitions and investment and attempted to challenge Microsoft in the office soft- ally, particularly for Frito-

last week revealed another the proceeds will be spent. loss, just three months after i other than to pay down debt. it recorded a small fourthquarter profit - its first in two years. The shares were system and to serve retail CS1.01 higher at CS5.55 by midday in Toronto.

### IPO is set to inject some fizz into PepsiCo

By Andrew Edgecliffe-Johnson in New York and Betty Liu

The separation of PepsiCo's bottling operations from its soft drink syrup and Frito-Lay foods business, which takes place today, will not only be one of the five largest initial public offerings in the US. It will also mark a fundamental change in the

shape of PepsiCo. More than a decade after Coca-Cola offered the public a majority stake in its largest bottling company. PensiCo is offering a stake of about 60 per cent in Pepsi Bottling Group.

With a price range of \$23-\$26 a share, the offering should raise between \$2.3bn

and \$2.7bn.
PepsiCo's profits will look radically different. Without the bottling operations. Pepsi Cola will account for just 30 per cent of operating profits - less than half the amount contributed by Frito-Lay snacks.

Pepsi Bottling Group had sales of \$7bn last year, but reported a drop from net income of \$59m to a \$146m oss after \$222m of restruct-

uring charges.
The spin-off, underwritten by Merrill Lynch and Morgan Stanley, will also trans-form PepsiCo's finances, as the parent company will no longer operate a highly capital intensive, low-margin bottling business. Its debt to capital ratio will halve, to 20

per cent, with obvious bene-

fits to PepsiCo's earnings. That begs the question of how PepsiCo will spend the opportunities internation-

Corel's first-quarter results ! PepsiCo is not saying how "The purpose [of the IPO] is to strengthen our bottling customers more effectively, it said. "It leaves PensiCo to better strategy."

focus primarily on brand building, marketing and advertising.

Indeed, PepsiCo has already begun a prominent marketing push, with wellreceived television advertisements for its traditional cola and for Pepsi One, its new one-calorie cola.

As for the independent Pepsi Bottling Group, Roy Burry, beverage analyst at New York-based Brown Brothers & Harriman, believes "we'll see a more aggressive bottling company, since 60 per cent of it will be in public hands. It'll lead to a much better managed bottling company with a more contiguous geographic network".

Perhaps more fundamentally, Mr Burry says, the spin-off will in effect "separate personnel types. There's a big difference between someone getting into a truck to visit bottling operators and someone who sits behind his desk all day thinking of marketing cam-

Like Coca-Cola Enterprises, Pepsi Bottling Group's fate is unlikely ever to be fully separated from that of its former parent,

It will rely on that one supplier for its supply of

concentrate and will have close marketing links. Some analysts believe that PepsiCo and Coca-Cola will behave differently towards their main bottlers now that

both are independent. In past price wars, the bottlers have suffered most, as their gross margins are only about half those of the concentrate makers. Now, some say, there will be a greater incentive to focus on profitability and avoid the much-

hyped cola wars. Mr Burry says, however: "Going forward, PepsiCo will become a more formidable competitor than in the past. It'll still be a distant number two forever but it won't be quite so distant. A more efficient bottling network is a

**Financial Services** more groups seek shift in Branding to Back of Credit Cards

## Banks want Visa logo moved

By Nicholas George

in Stockholm Malcolm Williamson. president of Visa International, yesterday admitted that several member banks had followed Citigroup, the US-based financial services conglomerate, in asking the credit card association to

change its branding policy. Citigroup quit the board of Visa USA in February, demanding that Visa allow it to move the Visa logo to the

back of the card. Visa refused, and Citigroup responded by moving sizeable part of its business to Visa's rival, Master-

Speaking at a meeting of

Stockholm yesterday, Mr Williamson said other banks had said they were also looking at moving the logo. "Clearly this is something

that has interested Citigroup, but I would emphasise that it is not just Citigroup that is interested in doing this," he said.

"I think other banks have ambitions which may extend to moving part of their card base to a mark on the back rather than a mark on the front, because they see the importance of getting their brand better recognised than they have in the past." he

However. Mr Williamson pointed out that Visa is one

Financial Times Surveys

Visa's European members in of the world's best known something they are not very financial services brand names, "so clearly we have to think very carefully before we could do anything that might actually damage

Mr Williamson said he was not personally "hugely opposed to the move".

He added that some of the issues that troubled Citibank and the other big banks went beyond branding. He pointed to Visa's role in research and development. which some larger banks did not see as being in their interests.

"I think a number of big banks see it as levelling the playing field between big and small banks, which is

keen on," he said. In a separate statement.

Hans van der Velde, presi dent of Visa EU said the European association had cut fees to members by €30m (\$32m), which made Visa about 10 per cent cheaper 3 than competitors.

He pledged that this gap would increase to 25 per cent over the next two to three

Reporting on 1998, Mr van der Velde said the total number of Visa cards in circulation in the European Union by the end of the year had risen 14 per cent from a year earlier, to 135m, with the number of transactions up 17 per cent to 6.4bn.

#### FOKUS Bank okus Bank A.S.

US\$75,000,000 otes due 2004

Notice is hereby given that for the interest period 31 March 1999 to 30 September 1999 d ores will carry an interest rat of 6.2025% per annum and that the interest payable on the 30 September 1999 will amour to US\$315.29 per US\$10,000

ote and US\$3.152.94 per US\$100,000 note.

Global Agency and Trust Services. Oribunk, N.A., London CITIBAN(C)

Floating Flate Bond due 2005

THE REPUBLIC

OF ARGENTINA

accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month interest period from March 31, 1999 to September 30. 1999 the Bonds, will carry an Interest Rate of 5.9375% p.a. and the Coupon Amount per U.S. \$1,000 originally issued take amount of the notes will be U.S.

Global Agency and Trust Services Clabenk, N.A. Lundon CITIBANCE

### Greek **Banking** & Finance

Tuesday May 18

For further information

Kirsty Saunders in London Tel: +44 171 873 4823 Fax: +44 171 873 3204 email: kirsty.saunders@FT.com

or Alec Kitroetf in Athens Tel: +30 1 671 3815 Fax: +30 1 674 9372 email: aleckit@otenet.gr

FINANCIAL TIMES

### EURO FREIGHT CAR FINANCE S.A.

Euro 90,000,000 Series 1998-1 Class A1 Secured Floating Rate Notes due 2016 Euro 130,000,000 Series 1998-I Class A2 Secured Hosting Rate Notes due 2016
Euro 35,000,000 Series 1998-I Class B Secured Floating Rate Notes due 2016 Balance as of March 31, 1999

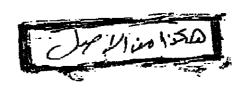
	Class A1	Class A2	Class B
Note Principal Payment	5,367,409133	nil	กเ
Principal Amount Dutstanding	85,310.810666	100,000	100,900
Redemption Premium	n/a	nil	nu nu
Aggregate Principal Amount Outstanding	76,779,729.60	130,000,00	35,000,000
		i	1

BANQUE GÉNÉRALE DU LUXEMBOURG

#O 1,000,000,000. of 1999/2001 - WKN 229 475

We would like to announce, that the interest rate for the period of March 25, 1999 to June 27, 1999 included (94 days) has been fixed at 2,964% p.a. The coupon amount per 10,000.- is 77.39 The interest payment date will be June 28, 1999

To Advertise Your Degal Notices Please contact Melanie Miles on Tel: +44 0171 873 3349 Fax: +44 0171 873 3064



PO is set to nject some fix nto PepsiCo

isa logo mow

THEY SAY THERE ARE NO HEROES any more. But they're there. Walk down any street and you will find them. The mothers who work, the fathers who strive, the children who overcome. They aren't larger than life, but they are larger than their own lives. Their names aren't famous, but their virtues are. Hard work. Common sense. An unshakable belief in themselves. If you're looking for a hero, look around.

HUMAN ACHIEVEMENT



ML.CCM

Tokai Bank

Y220bn debts

to forgive

FINANCE MOVE WILL BE CLOSELY WATCHED

# ANA issues profit warning

By Alexandra Harney in Tokyo

Ali Nippon Airways, Japan's second biggest airline. warned yesterday that losses this year would be more than double earlier forecasts because intensified competition from domestic start-up carriers had squeezed profit margins.

ANA said parent operating on revenues of Y900bn. Last October the group forecast fares half those of ANA. operating losses of Y5bn in Japan Airlines (JAL) and the year ending this month.

Hopewell

The warning, which came as ANA unveiled a modest

Japan's recession.

impact Skymark and AirDo. the country's first new airlines in 35 years, are baving losses would be about Y11bn on Japan's established carri-(\$91.9m), compared with ers. The companies triggered profits of Y646m last time, a fare war last year by

> Japan Air Systems, the three main carriers. ANA said the main reason

restructuring, means the air- for the revision was an unex- tion. At the same time, pasline will suffer its third year pected contraction of yields senger volumes have tumof losses out of the past six. on its domestic routes as a bled as consumer sentiment Last year ANA suspended its result of the start-up carri- has weakened and internadividend for the first time in ers. Net losses would be tional competition has inten-30 years as passenger num- Y8bn. compared with Y2.7bn bers fell as a result of in losses last year. It also expected to record an It also underlines the extraordinary loss worth about Y15bn from the liqui-

financing subsidiary. came as little surprise. In not disclose enough informaaddition to price competi- tion to make precise calculalaunching domestic flights at tion. ANA, like other Japanese carriers, has been forced to raise capacity on routes to outlying regional

sified because of lower fares and declining demand from Japanese business travelers.

Only one-third of its domestic routes were generdation of ANA Finance. a ating profits, the company said. Analysts said that Analysts said the warning although the company did tions, overseas routes were believed to be loss-making.

In response to the deteriorating conditions. ANA said it airports under pressure from would accelerate its restruct- ing dividend payments by son with those undertaken the Ministry of Transporta- uring by cutting board mem- the year ending in March at JAL.



per cent year-on-year to units would fall in 1999.

bers' salaries and shrinking 2001. But some analysts said the board from 31 to 19. The the moves were too little, too reforms are aimed at resum- late, particularly in compari-

The group's bottom line is

likely to be buttressed by a

rise in chip prices that is

expected to return its trou-

yesterday it was in talks

with Episil Technologies on

a joint venture deal that

would allow it to sell its six-

ment. Acer Semiconductor

has already stopped produc-

By Gillian Tett and oko Hakamae in Tokyo

Japan's Tokai Bank said vesterday it would forgive about Y220bn (\$1.83bn) worth of debt to Fujita, the construction company, and Towa Real Estate Development, a property company.

The move marks the largest debt forgiveness by a single bank to date in Japan, where financial companies have been reluctant to dispose of their pile of bad

Tokai's move is likely to be closely watched by the markets, since many analysts believe the next step to resolving Japan's long running bad loan problems will be implementing widespread debt disposals.

The decision comes as the government is considering a to restructure and thus help controversial debt-for-equity swap system in another effort to tackle the country's

banking problems. The concept of a debt-forequity swap scheme was floated by business groups last year, but was abandoned because some banks argued it would be impractical. This type of scheme, which has been used in other G7 countries, typically allows a bank

shares in Japan last year. | month in Japan, partly Fuelling the drive toward because some business cern over falling margins in ! debt forgiveness of the sort

unfairly rewards shareholders at the expense of banks. In recent days, for example, the share prices of some construction companies have risen sharply on hopes of debt forgiveness. Takashi Imai, head of the

Keidanren. Japan's leading business federation, said: The concept of shareholder responsibility means that these companies should reduce their [shareholders'] equity as well [and] management should [take responsibility] and resign."

However, the Keidanren believes the debt for equity swap plan would provide a better option than debt forgiveness because it would give the banks more incentive to make debt disposals. It also believes the plan

could encourage companies reduce Japan's excess capacity problem. The details of any pro-

posed plan are still unclear. But the concept is supported by officials at the Ministry for International Trade and Industry and the Ministry of Finance, and some banks have indicated support.

Sakura, which is also considering forgiving Y62bn debt to Fujita, said it would "If Fujita would like to

However, the concept has give us some shares [in cally, Trend Micro listed its been revived again this exchange for debt forgivenessl I think we would like this," said Hirokazu Ishikawa, managing director. Additional reporting by

### earnings \$11.94m

By Rahul Jacob in Hong Kong

slide to

Hopewell Holdings, the Hong Kong-based infrastructure group, yesterday announced net profit of HK\$92.6m (US\$11.9m) for the six months to December 31 1998, down from HK\$1.4bn in the same period in 1997.

The previous year's interims, however, were boosted by the HKS2bn sale of a remaining stake in Consolidated Electric Power Asia.

Hopewell reported a loss of HK\$2.81bn for the year to June 30 1998, due to a large provision against a power plant project in Indonesia after banks pulled loans and the project was halted. The company also made provisions in 1997 and 1998 for its project to build an elevated rail system in Bangkok.

The company heralded its return to profitability. attributing it to better business prospects for the toll road network it is building in southern China.

"The strong foundation of our business is the Delta Road network in China, where income levels have been unaffected by the economic turmoil in Asia," said Gordon Wu. chairman

The company said that toll revenues on its GSZ Superhighway, which connects Guangdong province to Hong Kong, had increased 11 per cent and the average daily traffic flow was up cent to 75,200

Turnover declined from HK\$735.76m to HK\$660.14m. The interim dividend is unchanged at 5 cents.

### Acer predicts 40% quarterly sales rise

By Mure Dickie in Taipei

Acer, one of the world's top three personal computer makers, expects a surge in shipments to lift sales 40 per cent year on year in the first Henry quarter, setting the Taiwanese company on course for higher profits in 1999.

Most of the growth in shipments in the first quarter is expected to come from contracts to supply PCs and notebook computers for sale under other brand names. catch up. That disparity reflects

Company officials said
they also hoped to trim hefty

OEM and own-brand-name

That disparity reflects
fierce competition and narrowing margins that helped

long been a hard sell.

Entrepreneurs complain

tended to look unfavourably

at software companies because of their lack of can-

gible assets, neglecting the

management flair and code-

writing skills that have

made them the darlings of

a spate of listings that will

from local capital markets.

Ulead got approval from the

stock exchange," says Alice

Chang, chief executive of

CyberLink, a local video and

audio software company. "It

proves those guys at the

stock exchange are trying to

The promise of freer

change their minds.

We feel so happy that

Last week, however,

US exchanges.

disappointing 1998.

Notebooks had been leading the sales charge in the first three months, said Wang, Acer spokesman He added that, while origi-

nal equipment manufacturer (OEM) deals to supply other companies would initially steal the limelight, sales of computers carrying Acer's own brand name would

as mere pilot fish to the

island's mighty chip makers,

While Taiwanese compa-

nies were estimated to have

sold software and informa-

worth just US\$2.2bn in 1998,

compared with \$33.8bn of

sales by the hardware sector.

many officials and execu-

pure software company, sustaining Taiwan's status International, which speci-

impose strict controls on

post-issue stock sales by a

software venture's biggest

Software entrepreneurs

complain the rules discrimi-

nate against them. However,

Kevin Hsiao of China Securi-

ties says they reflect a cul-

ture that sets great store by

bricks and mortar.

shareholders.

Software's coming of age

Mure Dickie reports on Taiwan's change of attitude

PC assemblers.

or companies trying to access to capital raises hopes

that Taiwan's software ven-exchanges, software has tures will shrug off their role

that bourse officials have peripherals producers and

Taiwan's over-the-counter tives believe developing soft-

exchange welcomed its first ware skills is essential to

Ulead Systems, in the first of as Asia's "Silicon Island".

end the sector's exclusion the result of rules that

losses from Acer's US and sales will enjoy considerable to cut Acer's 1998 profits 33 losses from Acer's overseas other overseas units after a growth," Mr Wang said.

to cut Acer's 1998 profits 33 losses from Acer's overseas other overseas units after a growth," Mr Wang said. He said output of notebook

computers would jump to 40 per cent jump in between 1.2m and 1.5m, up from 800,000 last year, and there would be stronggrowth in production of desktop computers.

Acer's overall sales were

per cent in 1999, with profits also higher though by a lesser amount, Mr Wang

expected to grow about 20

"People in Taiwan tend to

evaluate companies based on

their fixed assets," says Mi

Hsiao. "That will change as

Certainly, Taiwan's entre-

preneurial business culture

and its enthusiasm for

things digital augur well for

the sector. Ulead, which pro-

enjoyed 40 per cent sales

growth last year and its thin

fixed asset sheet proved no

Next in line for entry to

barrier to a smooth listing.

the OTC market is Ares

alises in software for banks

Ving the merits of a

public issue in Taiwan

against listing in the US or

Hong Kong. Ulead's market

performance will be a lead-

ing factor in deciding regula-

tors' willingness to ease the

listing requirements on soft-

ware companies, she says.

ays she is still weigh

the industry develops."

tion technology services duces imaging software.

The new OTC listings are and government offices.

bled chip unit, Acer Semiconductor Manufacturing, to profitability.

Acer Semiconductor said

T\$20m in 1999, down from T\$50m last year as Acer withdrew from retail channels to concentrate on commercial and corporate sales. Mr Wang said. Internet-based direct sell-

revenues.

T\$2.49bn (US\$75m), despite a

US losses would total some

ing in the US would also be a positive factor, although inch wafer production equipits contribution would be relatively minor. ing six-inch wafers.

Mr Wang said overall

### Taiwan (T industry summary

vakue	tSan
IT hardware	33,776.0
IT software &	2,196.9
services indust	try
- · · · <del></del>	

Source Market Marketine Confidence

With the government already firmly committed to turning Taiwan into a programming powerhouse, pressure is growing for securities officials to take a more adventurous approach.

Taiwan's clout in electronics hardware is likely to help software developers to break into international markets. Taiwanese firms dominate production of PC peripherals, such as scanners, that As Chang of CyberLink are sold with the software

> required for their us Expertise in Chineselanguage programs should be a boon, although Beijing has been wary of Taiwanese developed software.

The sector's potential is demonstrated by Trend Micro, which has bucked Taiwan's reputation for

anonymous manufacturing i to take a free equity stake in favour the scheme over a by using advertising to wir. | a company while forgiving straight forgiveness. hefty market share for its part of its debt. anti-virus programs. Ironi- ;

software development is con- i groups now believe direct many of the sectors where coffered by Tokai yesterday. Alexandra Harney Taiwanese companies are strongest, as computer parts and peripherals become ever more commoditised.

The island's most famous park focused on software search for higher returns.

to great effect in develop APDJ reports from Tokyo. ment of the island's electronics industry.

ers such construction projects betray the same kind of misunderstanding of the downward revision, as well software industry that has kept programmers out of the stock market. To see its software sector properly flower. Taiwan may have to put a little less emphasis on tangible assets.

### Hino revises loss computer company. Acer. is developing an industrial forecast to Y43.1bn

development as part of its Himo Motors now expects a pared with Y444bn. Last year earch for higher returns. , pre-tax loss of Y43.1hn the company posted a pre-Acer's Aspire Park joins (8360m) for the fiscal year tax profit of Y4.59hn, net similar efforts by the govern- ending March 31, much profit of Y3.64bn and sales of ment to build software hot- worse than its earlier forehouses, a strategy employed I cast for a loss of Y26bn,

The truck-making affiliate However, to some observ- ; cited a worse-than-expected fail in domestic heavy-duty truck and bus sales for the as continued sluggish shipments to south-east Asia, its

main export market. Hino expects a net loss of Y35.6bn. compared with Y9.20bn projected earlier, and sales of Y417.5bn, comY575.21bn.

Yoshio Yoshizawa, senior managing director, said Hino was also expecting an operof Toyota Motor yesterday ating loss of Y41.7bn, compared with an earlier forecast of Y25bn

He added Hino expected earnings to improve next fiscal year, with sales expected to climb to Y450bn and operating income to come in, at worst, flat, Operating income was expected to improve, helped by the rise in sales and cost-cutting.

PRELIMINARY NOTICE OF SHAREHOLDERS' MEETING

Shareholders are hereby informed that the Board of Directors is to convene a Combined General Meeting (Annual Ordinary and Extraordinary), to be held on Tuesday, May 11, 1999, at CNIT La Défense - Amphithéatre Léonard de Vinci - 2, place de la Défense - 92053 Paris La Défense at 10 a.m. with the following agenda.

#### I - Resolutions within the authority of an Ordinary General Meeting

- Report of the Board of Directors and Auditors' general report on the transactions and accounts for the year ended December 31, 1998;
- Approval of these reports, the accounts and balance sheet as at December 31, 1998;
- Appropriation of net income, determination of
- the dividend in Euro and date of payment; Special Report of the Auditors on the agreements covered by Article 101 of the French Companies Act of July 24, 1966;
- Allocation to the special long term capital
- gains reserve;
- Repurchase of shares; - Renewal of the mandate of four Directors:
- Appointment of a new Director:
- Determination of the amount of Directors' fees.

#### II - Resolutions within the authority of an Extra-

ordinary General Meeting

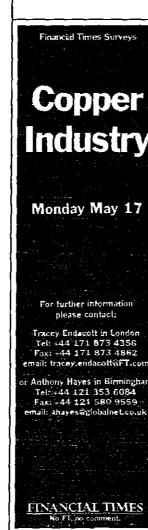
securities in Euro:

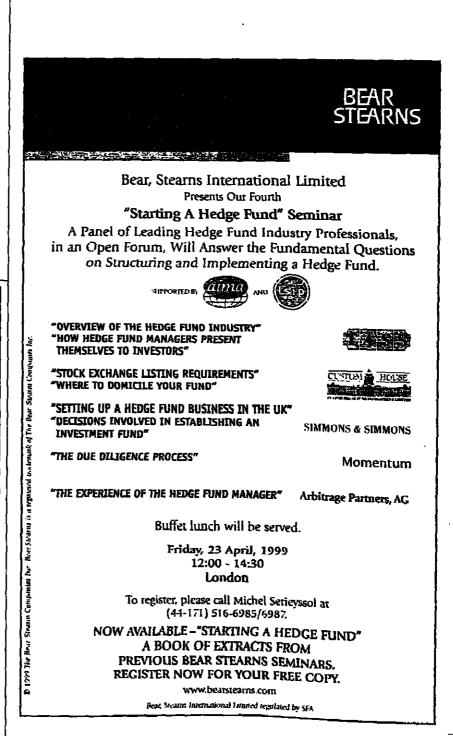
- Report of the Board of Directors; - Special Report of the Auditors;
- Conversion of the share capital into Euro; - Authorization to be given to the Board of Directors to issue convertible or other equity
- Authorization to be given to the Board of Directors to make use of the preceding authorization to issue convertible or other equity securities without pre-emptive subscription rights.
- but with optional priority subscription rights; Authorization to be given to the Board of Directors to act on the authorizations given in the preceding resolutions in the event of a public tender offer;
- Authorization to be given to the Board of Directors to cancel the shares of the Company up to a limit of 10% of the Company's share capital;
- Change of the Company name and consequent amendment of the by laws:
- Amendment of the by laws. THE BOARD OF DIRECTORS

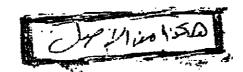


SOCIETE ANONYME SHARE CAPITAL: FRF 14,402,574,650 REGISTERED OFFICE: TOUR TOTAL 24 COURS MICHELET, PUTEAUX (HAUTS - DE-SEINE) 542 051 180 R.C.S NANTERRE FRANCE

Vells Fargo & Company US\$200,000,000 floating rate subordinated In accordance with the nor of the notes, notice is hereby iven that for the interest period 31 March 1999 to 30 April 1999 the notes wi arry an interest rate of 5.25% er annum. Interest pavable or he relevant interest pay ate 30 April 1999 will amount US\$43.75 per US\$10,000 nore and US\$218.75 per US\$50,000 Global Agency and Trust Servic Citibank, N.A., London CITIBANCO







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#### **COMPANIES & FINANCE: UK**

### Enterprise/Lasmo talks called off

By Robert Corzine and Thorold Barker

Enterprise Oil and Lasmo. the UK's two biggest independent oil explorers, yesterday called off protracted merger talks to create a Brit-"super-independent" worth more than £3bn

The discussions which began last December, are said to have foundered because Lasmo, the smaller of the two, was unconvinced by Enterprise's argument

that a combined group nies "concluded that they would be more competitive are better placed to add m⊬nt.

return throughout the [com- cates of a merger. modity] cycle," said Joe Darby, Lasmo's chief execu-tive yesterday, "I'm not convinced a bigger company would be that much stron-

Enterprise, which in 1994 failed to acquire Lasmo in a hostile bid, said both compa-

in a low oil price environ-value independently". But it was clear throughout the "Companies the size of talks that Enterprise, and its atterprise and Lasmo chief executive, Pierre Jun-Enterprise and Lasmo chief executive, Pierre Jun-should be able to deliver a gels, were the main advo-

> to realise that sometimes these things fail". Over the course of the talks few City analysts and investors had warmed to the

analyst at Warburg Dillon Reid in London said: "For Enterprise it made more sense. Getting Lasmo's lowcost, on-shore assets would have offset its high cost position in the North Sea. For Lasmo it would have been a Last night Mr Jungels retreat from its on-shore said: "I'm grown up enough strategy.

Mr Darby said the projected cost savings for a combined group were modest, at about £20m a year, and did not offset "the people risks". wide differences over organi-However, Jain Reid, an sational philosophy and con-

flicting corporate culture and aims.

Sources close to Enterprise suggested that Lasmo executives had never given up their desire to remain independent: "They were more of a mind to survive." People close to Lasmo

insisted the eventual outcome was not mevitable. "It was a close call. The length of the talks shows how seri ous they were", said one. Analysis said both compa mes were credible bid targets for bigger oil groups.

### Investors move on **CSG** board

By Caroline Daniel and Clay Harris

Three big investors have announced plans to remove the chairman and four other directors of Corporate Services Group after the employment and training services company issued its second profits warning in three weeks.

The three investors, which hold 31.59 per cent of CSG's shares, said they had "lost confidence" in Jeffrey Fowler, executive chairman. and the other directors. Schroder Investment Man-

agement, Mercury Asset Management and M&G Investment Management requisitioned an extraordinary meeting, at which they aim to replace Mr Fowler with Michael Davies, chairman of National Express and a non-executive director of British Airways

Shares in CSG closed 612p lower at 71p, compared with a high of 262p last July when the company was capitalised at £520m. The company, which has operations in France and the US as well as the UK, said yesterday that "a number of further issues had been identified", forcing it to postpone the announcement of 1998 results from today until April.

It said it expected 1998 profits before tax, interest, goodwill amortisation and exceptional items of about £20m (\$33m) rather than the £33.5m forecast in a profits warning on March 8. It also cautioned on the final dividend. Before the warnings. analysts had forecast pre-tax profits of about £48m.

Tim Steer, a Merrill Lynch analyst who has followed CSG, said: "These adjustments are so large as to raise questions about the historic profit record of the company.

The three institutions indi-

cated that their effort to purge the board resulted from an inability to get satisfactory answers about the company's affairs. They aim to elect, in addition to Mr Davies, Gilles Avenel, former finance director of Sun | to the two companies. Life and Provincial Holdings, and Peter Button, former corporate finance executive; mally consider the proposal at Dresdner Kleinwort Ben- to take over Arco. Amid son, the investment bank

Those targeted for removal are commercial director response of the Arco However, it could be delayed John Abrahamson and nonexecutive directors Tim Holwho is chairman of the audit committee. Under the institutions' plan, David Lake director.

#### COMMENT

### Corporate Services

Investors have been kind to Corporate Services Group the accident-prone Corporate Services Group. At least they Share price (pencel had the courtesy to wait for the second profits warning before rebelling, even though the first should have set alarm bells clanging loudly. Among the problems cited first time round was an opaque-sounding "change in the basis of certain cost allocations". Problems with credit management and a socking write-off of the value of loan notes, received as payment for a trade sale, compounded the woes. It was

hard to see how things could get worse. But they did - a mere three weeks later. The company chose not to explain yesterday why profits for 1998-99 could be £13.5m lower than was expected at the start of the month. Was it further changes to the allocation of certain costs? Was it the accounting treatment of certain items of expenditure? Shareholders need to know.

1998

CSG's three main investors have called an extraordinary general meeting to clear out five directors. Those in the line of fire should save their shareholders the trouble and go of their own accord. Corporate governance addicts will note that three non-executives are among those being asked to carry the can - a salutary move towards increased account ability.

#### Enterprise Oil/Lasmo

Surprise, surprise. Now that the oil price is resurgent, Enterprise and Lasmo have abandoned their pointless merger talks. Both companies have outperformed the market since discussions started, rising more than 50 per cent from their winter lows. But this had nothing to do with the merits of creating an exploration and production "super-independent" and everything to do with higher expected cash flows from the oil price.

Since their assets hardly overlapped, the only savings on offer were a pitiful £20m from merging the two head offices, which looks risible when set against the rich pickings available to majors from slashing away at downstream assets. And given the bad blood between the companies, which dates back to Enterprise's 1994 hostile bid, forging a united management team would have been difficult.

So investors should treat yesterday's news with relief. even as they scratch their heads over the amount of time wasted on a deal that promised so little.

### BP Amoco/Arco statement near

By Robert Corzine in London and William Lewis in New York

the planned takeover of Atlantic Richfield (Arco) of divulged specific financial the US by the UK-based BP Amoco was now planned for Thursday, said people close

in London last night to forsigns that the board would advising the three institu- give Sir John Browne, chief executive, approval, atten- Arco at closer to \$25bn than tion moved to the likely \$30bn, according to analysts. board.

A Thursday target date for US regulatory authorities. land-Bosworth, Ronald de a formal announcement In trading on Wall Street Young and Ralph Hulbert, would give ample time for Arco's board to meet at the company's Los Angeles BP Amoco's shares rose 2p headquarters. The deal had to £10.79. would stay on as finance been expected to be

deal was leaked, the companies had been planning to announce their transaction after Easter.

The companies have not details of the proposed transaction, but the premium that BP Amoco is prepared to pay to acquire Arco is said to be The BP Amoco board met in line with other recent deals, including BP's acquisition last year of Amoco, and Exxon's proposed takeover

The deal is likely to value because of examination by

vesterday morning, Arco's stock price fell 11 to \$73%.

announced today. Before the Observer. Page 17

Peter Johnson: profits rise 44%

ond-largest shareholder last

night as the jewellery

retailer roundly rejected a

call to sell part of its US

James McAdam, chairman.

said a partial flotation or

trade sale of the US division

RESULTS F

A battle was brewing able reserves to allow it to

between Signet and its sec-return the proceeds of a sale

By Peggy Hollinger

### Rugby puts focus on cement side

By Charles Pretzlik and Gwen Robinson in Sydney

Rugby Group yesterday announced plans to sell its joinery and US distribution business and has agreed to take a controlling stake in The move means Rugby will become a more focused cement and lime producer which analysts believe could make it vulnerable to a take-

to shareholders, and a par-

tial float would only "dilute

shareholders' interests in a

announced better than

expected annual profits and

its first dividend payment in

growing business".

lyst at Charterhouse Securities, said: "If these deals go through, it will be a purer doesn't get Castle [which is being sold as part of Scan-Adelaide Brighton, the Auscem, the Nordic group] tralian cement producer, might go for Rugby."

Peter Johnson, chief executive, said Rugby was in advanced talks to sell most of its joinery and US distri- by the Australian Competibution business to Jeld-Wen. tion and Consumer Commisa privately-owned group sion.

the main factor behind the

rise in the pre-tax return

cent ahead at £991.2m for the

But Resurgence Asset

for-like rise of 6 per cent.

In Australia Rughy is play and therefore more injecting Cockburn, its likely to be bid. Whoever cement and lime business, into Adelaide Brighton in a series of deals that will leave

would be sold for more than

its \$251m not seent value

Jonathan Timus, an ana- based in Oregon. He said it

from £68.7m to £89.2m in the UK. It has called on

(\$145m). Sales were 7 per the board to sell at least 20

Management, the US fund forward for the company's

it with 55 per cent of the enlarged group. This will create the country's largest cement and lime producer. The deal is being scrutinised

per cent of Sterling, its US

business, through an initial

Total for

A resolution has been put

public offering in the US.

prices rose by 3 per cent last year, reported a 44 per cent rise in pre-tax profits in 1998 to £98.2m (\$160m) after a £33.7m profit on the sale of its Pioneer laminates busi ness. Group turnover fell 4 per cent to \$1.02bn.

Rugby, which said cement

Sales from joinery and US distribution fell 6 per cent to £717m and profits rose 4.5 per cent to £30.1m. A 2.55p final dividend lifts the total 7.5 per cent to 4.3p. The shares gained 2p to 113p.

#### Pressure on Signet to sell US stake Sainsbury finance best interests". The company operation accounts for 64 per cent of Signet shares, director of operating profit, and was business is not being reflected in the share price because of difficult trading to leave

By Peggy Hollinger

J Sainsbury yesterday announced the surprise departure of Rosemary Thorne, its finance director. in a move viewed by ana lysts as an attempt to strengthen its board. Ms Thorne, 47, will leave

"by mutual consent" in July, after seven years with the UK's second-largest supermarket company. Sainsbury said it was looking for an outsider as her replacement.

It is understood the company is looking for a finance director who will contribute to its strategic direction. "They want someone with a lot more experience in dealing with investors and who can do more strategic work," said a source close to the company.

However, recruitment consultants questioned whether strategic thinking was a forte of retail finance directors. "All you need is someone who can adapt to a very fast moving market," said Sam Johar, of Buchanan Harvey, a recruitment consultant. He suggested Keith Hamill

of WH Smith or David Keens of Next as possible candidates. The shares closed down

#### 0.385 9.32 0.938 4.4 8.35 8.56 3.25 6.91 May 17 Mar 31 0.772 . Yr to Dec 31 17.2 (16.3) 0.949 1.581 (1.11 ) 4.53 (11.24)(43.6 ) (5.04 ) (8.32 ) (3.8 ) (5.3 ) (13.07 ) Arnotts & Barlows ... Yr to Jan 31 Yr to Dec 31 (78.6 ) (6.69 ) (15.4 ) (42.4 ) (7.72 ) (2.2 ) (3.43 ) (3.83 ) (5.08♥ ) 42.5 1.36 11.23 103.1 6.28 17.2 2.5 6.38 . Yr ko Jan 31 Yr to Dec 31 24.1 Yr to Dec 31 38.5 Yr to Dec 31 49.1 (34.1 ) (37.6⊡ ) (3.25 ) (7.13 ) (9.55 ) (22.2 ) (10.01 ) (46.7 ) (296.3 ) 6.41♥ (7.57♠) 41.3 (38.6) June 16 July 8 June 7 (113.7 ) 23.5 (10.3 ) 1.01 (95.5 ) 14.4 (3.59 ) 2.491.4 (212 ) 45.9 \_\_ 6 mths to Feb 28 112.4 \_\_\_\_ Yr to Nov 30 8.5 (25.1 J (0.939 ) (12.5 ) (14.77 ) (9.16 ) Hustleigh Tech Independent Rad ..... Yr to Dec 31 107.9 (11.54 (15.5L ) (11.98 ) Johnston Press .. 3.5 .... Vr to Dec 31 2017 (34.6▲ ) 15.7 (51.6 ) 11.1<del>4</del> (15.7 ) 0.82 (15.4 ) (0.652 ) (4.2 ) (1.23 ) ... Yr to Dec 31 19.6 (12.3 ) 0.82 (0.652 ) 1.56 (1.23 ) (72.4 ) 0.1071.\$\text{\phi}\$ (2.161.\$\text{\phi}\$) 0.281.\$\text{\phi}\$ (8.541.\$\text{\phi}\$) (1.34) 1.041.\$\text{\phi}\$ (18.511.\$\text{\phi}\$) 3.07 (1.3\$\text{\phi}\$) 13.1\$\text{\phi}\$ (14.7 ) 17.1 ) 0.091 (1.47 ) 0.581. (4.16 ) \_\_\_ Yr to Jan 30 \* Pital Tech ф Yr to Dec 31 ± 17.1 117.1 0.091 (1.47) 0.581 (4.16) Providence Res ♣ 1.8 mths to Dec 31 1.45 (-) 1.94♠ (-) 0.631 (-) Rathborne Bros Yr to Dec 31 61.5 (50.6) 1.8 (10.8♠) 39.31† (24.89) Prisons Westgarth Yr to Dec 31 1.020 (1.055) 98.2♥ (68.1♠) 9.5 (11.3) Rugby Yr to Dec 31 1.020 (1.055) 98.2♥ (68.1♠) 9.8 (7.4) Save Yr to Dec 31 18.6 18.9 18.6 (8.1♠) 9.8 (7.4) Section Yr to Dec 31 18.6 18.9 18.6 (20.7) 23.6 (26.1) Settridges Yr to Jan 30 307.4 (296.9) 13.9♠ (15.3♠) 9.3 (21.) Signet Nr to Jan 30 991.2 (927.9) 89.2 (68.7) 3.9† (19.9) Zergo 8 mths to Dec 31 9.88 (13.2.) 5.17L (0.297.) 27.8L (1.1L.) June 25 3.2 July 1 Date of Corresponding Total for payment dividend year Attributable Earsings (Em) Investment Trusts ers (a) MAY (p) Henderson Japanese ... 6 mits to Jan 31 44.82 (46.39 ) 0.097L (0.274L) 0.1L (0.27L) Jupiter bit Green Yr to Dec 31 52 (68.2 ) 1.07 (1.1 ) 4.01 (4.37 ) Fernings shown basic. Dividends shown not except \*\*Gross throughout. Figures in brackets are for corresponding period. \*\*Erish currency. \*\*After exceptional charge. \*\*VAlter \*\*Ap at 380\*4.p. exceptional credit \*\*10n increased capital. CTIntal technical income. \*\*Comparatives restated. \*\*OAm slock. \*\*Comparatives for veer to April 30 1998.

did not have the distribut- cent of sales and 75 per cent

The group yesterday year to January 30, a like-

was "not in shareholders' almost six years. The US manager which owns 6 per annual meeting in June.

#### NOTICE OF SUSPENSION PERIOD Notice to the Holders of US\$80,000,000

(Incorporated with limited liability in Taiwan, Republic of China) 1 per cent. Convertible Bonds Due 2004

First International Computer, Inc.

(the "Bonds") CUSIP No. 320546AA2 NOTICE IS HEREBY GIVEN to the holders of the outstanding Bonds of

NOTICE IS HEREBY GIVEN to the holders of the observating but us of First International Computer, Inc. (the "Company"), the Company will hold the Board Meeting (about distributing earnings or capitalising capital reserves to shareholders) on April 15, 1999. In accordance with the Terms and Conditions of the Bonds, that the bondholders right thereunder to convert any bond into the Company's Shares shall be suspended and shall not be exercisable during the following period (the

The period is from the seventh day prior to the Board Meeting (April 15, 1999) up to and including the "Record Day".

The next Consolidation Date is hereby determined as April 7, 1999. In order to be included in the aforementioned Consolidation Date, holders wishing to convert their bonds must submit their notice of conversion and the bonds no later than the close of business on April 6, 1996 at the office of the Conversion Agent.

Bondholders should consult with the Terms and Conditions of the Bonds contained in the Offering Circular dated March 6, 1997 for specific provisions concerning the conversion rights attaching to the Bonds.

First interregional Computer, Inc. By: Citibenic, N.A.

Dated: 31 Merch, 1999



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#### by HSBC Investment Bank pic ("HSBC") on behalf of

Enterprise Inns plc ("Enterprise Inns") to acquire the issued share capital of Century inns pic ("Century inns")

HSBC announces on behalf of Enterprise Inns that, by means of an offer document dated and posted on 29th March 1999 (the "Offer Document") and by means of this advertisement. HSBC is making an offer on behalf of Enterprise Inns to acquire the Issued and to be Issued share capital, not already owned, o Century inns (the "Century Inns Shares") (the "Offer").

Subject to the Offer becoming or being declared unconditional in all respects, each holder of Century Inns Shares (the "Century Inns Shareholder"), other than citizens of or residents in the United States, Canada, Australia or Japan, who validly accepts the Offer will receive 0.3942 of a new ordinary share of 10p each in the capital of Enterprise inns ("New Enterprise Inns Shares") for each Century inns Share held. Century Inns Shareholders will also be entitled to receive and retain the proposed interim dividend of 3.15p (net) per Enterprise inns ordinary share of 10p each in respect of the year ending 30th September 1999.

The full terms and conditions of the Offer (including details of how the Offer may be accepted) are set out in the Offer Document and the form of acceptance (the "Form of Acceptance") and the listing particulars dated and posted on 29th March 1999 (the "Listing Particulars") accompanying the Offer Document. Century Inns Shareholders may rely only on the Offer Document, the Form of Acceptance and the Listing Particulars for all the terms and conditions of the Offer.

The Offer is, by means of this advertisement, being extended to all persons to whom the Offer Document may not be despatched, who hold, or who are entitled to have allotted or issued to them. Century Inns Shares. Such persons are informed that copies of the Offer Document, the Form of Acceptance and the Listing Particulars are available to the public for Inspection at the Company Announcements Office and in printed form and free of charge for collection from the registered office of Enterprise Inns, Friars Gate. Stratford Road, Solihuli, West Midlands B90 48N and the offices of Computershare Services PLC, PO Box 859. The Pavillons, Bridgwater Road, Bristol BS99 1XZ and Computershare Services PLC, 7th Floor Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR.

The Offer, which is made by means of the Offer Document and this advertisement, will be open for acceptance until 3.00p.m. (London time) on 19th April 1999 (or such later time(s) and/or date(s) as Enterprise inns may, subject to the rules of the City Code, decide).

The New Enterprise inns Shares to be issued pursuant to the Offer have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the securities laws of any jurisdiction of the United States, and no prospectus has been or will be filed or registration made under any securities laws of Canada in connection with the Issue of securities in any jurisdiction in Canada, nor has a prospectus in relation to the New Enterprise Inn Shares been, nor will it be lodged with or registered by the Australian Securities Commission nor have steps been taken, nor will any steps be taken, to enable the New Enterprise Inns Shares to be offered in compliance with applicable securities laws of Japan. Accordingly, unless an exemption under the relevant securities laws of such jurisdictions is ie, the New Enterprise Inns Shares may not be offered, sold, re-sold or delivered, directly or indirectiv. In or into the United States, Canada, Australia or Japan.

This advertisement has not been published or otherwise distributed or sent to or into the United States, Canada, Australia or Japan and any person who is reading this advertisement (including nominees, trustees and custodians) must not distribute or send this advertisement, the Offer Document, the Form of Acceptance or the Listing Particulars (or any related offering document(s)), in or into the United States, Canadian, Australian or Japanese mails or any such means or instrumentality for any purpose, directly or indirectly, in connection with the Offer and doing so may invalidate the related purported acceptance of the Offer.

This advertisement which is published on behalf of Enterprise Inns by HSBC. has been approved by HSBC solely for the purposes of section 57 of the Financial Services Act 1986. HSBC, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for Enterprise Inns and no one else in connection with the Offer and the other matters referred to berein and is not acting for any other person and will not be responsible to any person other than Enterprise Inns for providing the protections afforded to its customers or for providing advice in relation to the Offer and the other matters

**ERGOSE S.A.** 

ERGOSE S.A., a company responsible for applying the investment program of the Railways Organization of Greece (OSE), which is co-financed by the Cohesian Fund and the Community Support Framework, is interested

PROJECT MANAGEMENT COMPANY HELLENIC RAILWAYS ORGANIZATION SURSIDIARY

- In engaging the specialized personnel listed below: Managers with many years of experience in major projects, comparable to those executed by ERGOSE S.A.
  - Suitable candidates must possess:
- A degree in civil engineering. At least twenty years of experience in design/construction of transport projects, particularly in broad range of road or railroad works (e.g. tunnels, long bridges, earthworks, superstructure etc.), contract management. work sites administration or supervision, technical legislation, etc.
- A successful career as high-ranking executives in the private or broader public sector during the last five years at least
- Knowledge of English and possibly another EU language, as well as familiarity with the use of computers, are
- Experience in projects in foreign countries is also desirable.
- 2) Electrical locomotion staff possessing:
- A university degree in mechanical/electrical engineering.
- Ten-year experience in the application and maintenance of railway electrification works. Rhoency in English and possibly another EU language, as well as familiarity with the use of computes.
- C) Knowledge of, and experience in the legislation covering the construction of public works will be an asset.
- 3) Signalling & Telecommunications Engineer possessing:
- An electrical or electronics engineer's university degree.
- Ten-year experience in railway signatting.
- Discrepance in earthing and bonding and matters concerning electromagnetic interference in the field of electrified railways.
- Fluency in English or also in another EU language, as well as familiarity with the use of computers.
- 4) Health & Safety Superintendent possessing:
- A university degree in engineering.
- Q At least ten years of experience in construction safety, particularly in road works and/or railway works, as a safety technician or expert. ☐ Knowledge of Greek safety regulations.

C) Fluency in English and possibly another EU language, as well as familiarity with the use of computers. Experience in the safety of high-speed railways is desirable.

Shortlisted candidates will be requested to provide certificates of previous service and educational degrees. Candidates should send a full c.v. in Greek and English, noting the position they are interested in, within 10 days from the publication of this amouncement to:

> **Human Resources Department**  27, Carolou Street 104 37 Athens, Greece



RICHARD DONKIN

### Watching that clock

to 24-hour working.

Today, however, an

middle classes is moving

over to night working. Not

so long ago I had lunch with

a solicitor who bridled at my

suggestion that he should do

less work. It was only when

leaving I discovered he had

installed a bed in his office

deadlines from clients.

hours we choose but

for us. Not only that,

freedom of choice is a

This is the problem of

sometimes we are not the

best judges of what is good

flexibility. We can work the

to help him meet demanding

The advance of the 24-hour society is curtailing workers' freedom of choice

many more services. It's one in the morning, the children are tucked up asleep and my wife went to bed hours ago. There's just me and the hamster. He's gnawing away at the bars of his superior hamster penthouse and I'm tapping away at the keyboard, one of developments? countiess unrecorded individuals who work the odd unsocial hour purely by

choice. Leon Rreitzman's recent book, The 24-hour Society celebrates the increasing choice available for meeting the demands of flexible working. More shops are opening at night offering more options over shopping

He estimates that up to 4m people in the UK work late in the evening or during the night over the course of a year. Some 20m people in the

US work regularly at night. The world is changing. Shops, pubs, supermarkets and petrol stations are increasingly adopting late night and 24-hour opening while call centres allow round the clock banking and the internet provides constant access to

to many who may want to drive back the 24-hour tendency.

The Keep Sunday Special Mr Kreitzman believes the Campaign has maintained a 24-hour society is inevitable. detailed log of complaints from people who say they Manufacturing companies. he says, cannot ignore the have been pressured by employers and occasionally economic sense of working their colleagues, into round the clock, decreasing downtime on machinery. But working against their will on should we welcome such Sundays. The Sunday Trading Act was supposed to protect employees who Shift working has been a wished to keep their feature of industrial output for years. Karl Marx wrote of Sundays free.

the "vampire thirst for the In practice, says the living blood of labour" that zampaign, many employees drove capitalist production have been coerced into working and the payment of a single-time rate has replaced double-time as the increasing proportion of the most common form of

> The campaign has produced a draft Employer's Charter urging companies to recognise the needs of employees to share time with their families, relatives or close friends. The charter is a modest document but any company which signs it would at least be able to demonstrate some social commitment to its employees.

employee pay on Sundays.

Failure to do so is unlikely to lead to much censure in the UK, not now at least, but the picture is beginning to look quite different in the US. American workers are finding that one of the best ways of avoiding Sunday working is to find religion. With more than 1,500 recognised religious organisations in the US there is no lack of

Companies that insist employees work against the codes of their religion can face a religious discrimination law suit and the number is growing according to Goldberg, Kohn, Black, Rosenbloom & Moritz, an employment law group which says that 1,786 religious discrimination charges were filed in the US with the Employment Opportunity Commission in

The onset of a 24-hour society may imply freedom of choice for some but for every winner there seems to be a loser. Mr Kreitzman's book has some timely observations but it may only have scratched the surface of the social implications in such developments.

The 24-Hour Society, by

Leon Kreitzman is published by Profile Books, price £16.99. Co-ordinator of the Keep Sunday Special Campaign is John Alexander, tel 01223

Headhunter ahead Two prominent executive search newsletters, Executive Recruiter News and Executive Research Review are agreed in their latest issues that Korn/Ferry Top 10 executive search firms

	1998	. 1-year	1996	1998
	Perennes	Growth Falls	Revenue per search team	Offices
	(Sm)"	(場).	मध्यकेस 🖓 😁	
Kora/Ferry Istamsticos	339,66	19	421,217	71
Heidrick & Struggles†	324,80	26	431,915	59
SpencerStuart	238.80	. 9	505,932	49
Egon Zehnder International	218.19	20	581,60 <b>6</b>	52
Russell Reynolds Associates	189.80	3	616,233	33
Autrop International	140.20	· <b>2</b> 5	319,362	68
H. Neumann International	130.70	<b>50</b>	578,319	44
Ray & Berndston	130.20	11	390,991	46
LAI Worldwidett	84.09	2.5.	404,279	21
TranSearch International	73.00	7	257,042	67
			5-45	

International has retained its status as the world's largest headhunter but they appear divided over whether it can still head the top 10 search firms list in the all-important US market. Executive Search Review

places Korn/Ferry International at the top of its US league table with \$178.6m in revenues. This includes some \$1.6m in revenue pulled in by Futurestep. Korn/Ferry's internet-based search business set up as a joint venture with the Wall Street Journal.

Executive Recruiter News nowever, has not included. the Futurestep revenues. allowing Heidrick & Struggles to claim the number one spot in its own US rankings with revenues

the basis of 1998 revenues. Among the big five search firms, Korn Ferry. Heldrick & Struggles and Egon Zehnder International all

maintained strong

top 10 executive search

consultants worldwide on

There are other reasons for

keeping a close eye on the

and Heidrick & Struggles.

fortunes of both Korn Ferry

Korn/Ferry recently carried

out an initial public offering

and Heidricks plans to do so

The table here shows the

double-digit growth. Russell Reynolds grew by just 3 per cent in terms of revenues but they secured the largest revenues per search team member -\$616,233 - among the top 20

richard donkin à ft.com



#### **Europe behind** rise in demand for executives, says survey

Demand for senior executives grew by 2 per cent in 1998 in spite of the economic turmoil in Asia and Latin America, according to a survey of some 3,700 clients of Korn/Ferry international.

Continuing strong demand in Europe and North America outstripped the fall in Asia and Latin America. European demand was particularly robust, growing by 19 per cent overall from 1997 to 1998. Much of this growth was at the end of the year when demand in the fourth marter leaged 44 per cent compared to that in the third quarter.

The biggest demands were among industrial and financial services Kom/Ferry International, 0171 312 3195.

### severance

Companion to

In Hong Kong you must pay people two-thirds of one month's salary for each year of service. In Israel it's a month while Estonians expect two to four months'

salary in severance pay depending on service. Drake Beam Monn, the outplacement company has come up with a handy companion to the P45, containing many of the financial and legal implications of sacking people. Quaintly titled Separation Practices Around the World, the book is packed with easy to access tables, allowing managements an at-a-glance analysis of local dismissal requirements. severence pay formulas and minimum and maximum

severance payments. Details of economic trends, growth rates and unemployment rates will be equally useful for those thinking where to locate A second DBM booklet, /Executive Job Search,

provides a country by country analysis of the reasons behind executive sackings. Reorganisation or merger was the most frequently cited reason.

Different job search techniques are also compared. Networking is the best way of finding new work in Chile while up the road in Venezuela you are most likely to be headhunted.

The booklets, £75 and £50, can be obtained from Sarah Hargrove, 0171 556

9

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- Representation on the Emerging Markets Asset Allocation Comn Playing a key role in the sustained growth of the London office.

The Candidate The successful candidate will have considerable expertise in development economics with a strong

- bias towards financial markets (bonds, currencies and stocks). This should be coupled with:-Solid knowledge of the institutional policy dynamics in Asia, Eastern Europe, Latin America,
- Middle East and Africa. An economics PhD or a highly relevant Masters and probably a 'quant' background, as extensive applied modelling experience is required.
- Maturity, credibility and a high degree of initiative to make a significant impact to the firm's Emerging Markets strategy.

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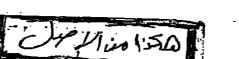
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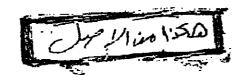
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#### VACANCIES IN THE EUROPEAN CENTRAL BANK

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#### POSITIONS AND QUALIFICATIONS

#### BUSINESS ANALYSTS IN PAYMENT SYSTEMS

The holders of this position, which is offered on a fixed-term contract basis, will work in the TARGET and Payment Processing Division, in a team which is in charge of the maintenance and upgrading of i) the TARGET system as a whole; ii) the payment application of the ECB which is connected to TARGET; and iii) all related applications and interfaces (in particular the S.W.I.F.T. Alliance). His/her major task will be to translate user requirements into formally structured functional and detailed specifications.

The candidate should have a good knowledge of payment systems, the security standards for these systems and an understanding of their IT environment.

- University degree in economics or an information systems related degree, or alternatively, equivalent
- Experience of payment systems analysis and network services (in particular, systems based on S.W.I.F.T FIN). Experience in the field of IT security matters and/or testing in payment systems would be an advantage
- Ideally, basic knowledge of the specifications of the TARGET system. Familiarity with modern office equipment and personal computers.
- Very good command of English and proven drafting ability in English. Working knowledge of at least one other European Union language is required.

Ref: ECB/78/99/FT

#### SUPERVISORS IN PAYMENTS PROCESSING

The holders of this position will work in the TARGET and Payments Processing Division, as team leaders within the operational unit which is in charge of the processing of payments and managing TARGET operations. They will supervise the execution of payments made by the ECB on its own behalf and on behalf of a limited set of customers. They will also co-ordinate the daily operations of TARGET with the settlement managers of the central banks of the European Union. In addition, they will be required to make in-depth analysis of complex procedural and business issues linked to the functioning of TARGET, for the purpose of elaborating proposals for the ECB Management.

This position requires the ability to analyse complex technical and organisational situations very quickly, if necessary, and to negotiate with other central banks under demanding conditions.

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#### **Oualifications**

- University degree in business management or information systems, or equivalent experience.
- · Good understanding of the technical environment and business issues underlying payment systems, including S.W.I.F.T.; a background in wholesale banking, in back office operations and/or in correspondent bank-
- Good analytical skills with the ability for defining and using PC tools in reports to assist management in high level decision making.
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- Very good command of English and proven drafting ability in English. Working knowledge of at least one other European Union language is required.

Ref: ECB/79/99/FT

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The position requires, from time to time, the ability to analyse complex technical and organisational situations very quickly.

These vacancies involve work in shifts.

- Good education, including graduate level studies.
- Good knowledge of payment processing procedures (S.W.I.F.T. and/or back-office experience in particular).
- Ability to work in a team.
- Familiarity with modern office equipment and personal computers.
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Ref: ECB/80/99/FT

Applications should include a Curriculum Vitae and a recent photograph, together with references confirming the required experience and skills. They should quote the appropriate reference number and should be addressed to the European Central Bank, Directorate Personnel, Postfach 16 03 19, D-60066 Frankfurt am Main, and should reach us no later than <u>9 April 1999</u>. Applications will be treated in the strictest confidence and will not be



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Our client is the investment subsidiary of a major international banking Group. to complement its existing businesses, a venture capital team is being established, headquartered in London and investing in a variety of industry sectors across the UK and continental Europe. To achieve this, it must attract and develop a small number of highly talented, experienced venture capitalists.

The envisaged roles will be highly proactive, encompassing the following:

- the establishment of the investing
- entity and the raising of funds; the identification and evaluation of
- potential transactions; • the structuring, negotiation and
- execution of investments; and the management of investee
- companies, including all aspects of the exit process.

The ideal candidates, probably aged 30-45, will be established investment

professionals, who are able to demonstrate significant experience of advising senior business heads across a range of industry sectors. The appointees will have proven deal origination skills, the ability to evaluate, coordinate and close a transaction and familiarity with the subsequent exit process. Possessing a clear history of achievement within a private equity environment, the successful individuals will also demonstrate excellent interpersonal skills and first rate financial, strategic and entrepreneurial judgement. They will be able to sell their record.

Our client offers an exceptional opportunity to join and influence a new business from the outset. The individuals recruited will be involved in the legal creation of the business, and remuneration packages, including a share in the investment company, will be structured to reflect the importance of the roles and the nature of the venture capital business.

Applicants should forward a CV, in the strictest confidence, to Brian Hamill, David Craig or Guy Townsend at Walker Hamill Executive Selection, quoting reference DC576. E-mail: dcraig@walker-hamill.co.uk

### BARCLAYS GLOBAL INVESTORS

Barchays Global Investors is the world's largest manager of quantitative investment strategies with over £300 billion under mamagement for clients in 26 countries. Due to continued growth and expansion, they wish to appoint two high-calibre experienced individuals to their Compliance Department. The specific roles will encompass the following duties:

#### Deputy Compliance Officer

- Take responsibility and accountability for day to day monitoring activities, reporting results and implementing changes as a result of new regulations.
- Oversee and assist in monitoring work carried out by other compliance staff and provide support / cover for the Head of Compliance.
- Provide timely and proactive advice to staff throughout the business and act as the primary point of contact for all operations department issues (including custody).
  - Review and advise on marketing material and oversee Personal account dealings. Oversee training and competence arrangements and assist Heads of Department with the analysis and

implementation of regulatory developments and requirements. Candidates should have a proven track record in financial services compliance, working knowledge of IMRO and/or SFA regulations. Ability to deal effectively with all levels of staff, good communication / presentation / influencing skills and supervise their team where effective delegation and guidance is essential.

#### Compliance Associate

- Co-ordinate and lead compliance visits from clients and liaise on all UK regulatory reporting issues.
- Undertake certain monitoring activities and provide advice to staff on compliance issues.

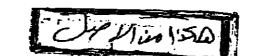
  Check and approve all staff personal account trading and take responsibility for advising employees on training and

Candidates should have at least one year's experience of financial services compliance, knowledge of IMRO regulations with the

ability to communicate at all levels. Excellent competitive salaries, plus bonus and benefits are on offer to the successful candidates

Please send your full CV and current salary details, to our Recruitment Advisor Mike Biundell Jones, Absolute Recruitment Ltd Staple Inn Buildings (North), High Helborn, London WCIV 7PZ Tel 0171 404 6292 Fax 0171 404 6275 email mike@absolute-recruitment.com





**EQUITIES** 

### Dow disappointment weakens Europe

**EUROPEAN OVERVIEW** 

European equity markets that the Dow Jones Indus-trial Average did not hold above the 10,000 level in the euro. early trading.

FYSE Eurobloc 100

1700

resurfaced, prompted by the deals hit confidence and was was one of the weakest per-Federal Reserve's meeting another reason to take mod-formers. LVMH fell 69.50 to Lonza sparked differing reaclater in the day to deliberate

Analysts said that while closed slighty lower yester- the European Central Bank main markets. day amid disappointment may want to cut European may want to cut European The FTSE Eurotop 300 Arnault and main sharerates, it was constrained by the continuing weakness of 1.250.71, while the FTSE for bonds convertible into the euro.

The FTSE Eurotop 300 Arnault and main shareholder in both, issued 6500m of bonds convertible into the euro.

Eurotop 100 index fell 8.94 to LVMH stock. Analysts sale

Renewed worries about induced by mergers and index closed 2.58 lower at issue had undermined the poor state of health of acquisitions activity, the Europe's economy also breakdown of some key

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est profits. But the falls were modest, with losses of less than 0.5 per cent across the

After Monday's gains 2,903.26. The FTSE Ebloc the dilutive effects of the 1,022.26. The luxury goods sector

FTSE Actuaries Share Indices

1250.71 2903.26 1022.26 1225.85 1187.15 1245.28

-0.48 -0.31 -0.25 -0.08 +0.23 +0.17

Purcher information is provided on high-theren Researc. O FTSC international Limite's 1988. All rigins expended. FTSCs and Fection's one explainment tends marks of the Landon Stock Entempts and The Research Tengs and gas pixel by FTSC international currier forces. Claratory in a registered leade result of the Austracetan Stock Enterange. FTSC Existing Indicates are compiled by FTSC Enternations.

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€233.50 and Christian Dior was €5.90 lower at €119 after Financière Agache, holding company for Bernard

LVMH shares. The collapse of the merger

2.04 2.02 1.97 2.91 2.57 2.38

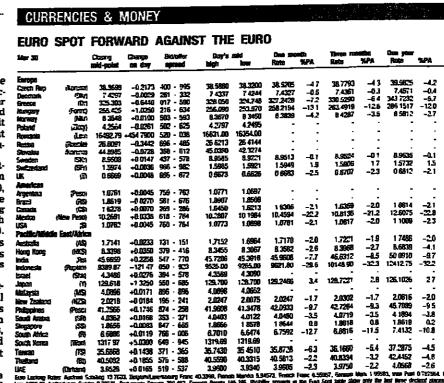
4.80 11.30 1.32 5.77 2.91 2.93

€2.50 to close at €513.50 and has added 7 per cent since it Arnault and main share-holder in both, issued €500m suisse fell €20 to €1,022.32.

> tles still under way, Telecom Italia added 20 cents to €9.90, still a long way from the offered by Olivetti, which was unchanged at €2.90. British Telecom fell 30 cents to €14.93 as profit-takers emerged following Monday's good gains.

good gains.

Speculation that the three-way French banking deal might see new developments helped Société Générale gain €5.90 to €173, while Paribas, with which it has proposed to merge, was €2.20 higher at €163.20.



		276.34 -0.27	-3.41	1.91	201	1305.73	RND which has made a	3,9750 -22 4,0560 -26 7, German Wark 1 95583, Year Part 0 727564, B
;	Europe Ex-Eurobioc 15	230 99     -0.06 235.26     -0,70	-8.70	2.49 2.18	9.80 7.59	1303.22 1287.53	hostile bid for both, added in 1992.7 letteract lasts 232.7, letteract blads 700.22, years 1992 in let become have a part of the control of the control of the subsection of t	
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Squar FISE International		D44.24 -0.70 D70.47 -1,48		2.82 3.79	3.69 21.37	1096.65	BONDS	
	OR & Gas 16	007 99      -0 67	-6.75	2.78	2.82	1035.95	INTEREST RATE SWAPS EURO-ZONE BONDS	
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M THREE MONTH EURIBOR PUTURES (LFFE) (1m 100-rate		23.73 -0.29 149.05 +0.38	-2.37 +3.92	2.61 2.10	2.47 1.13	840.82 1059 44	akar 30 Bad Aca, Bad Aca, Bad Aca, Bad Aca, Bad Aca, Bad Aca, Red S&P	Bid Bid chge chge v
Open Sett pince Charge High Line Est, vol. Open Int.		79 41 -1.02	-9.98	3.98	38.68	1055 76	year 2.97 3.00 5.16 5.21 1.43 1.47 5.25 5.26 0.27 0.30	price yield yid yid Gove
Jun 97.155 97.175 +0.020 97.180 97.145 44239 207150 Sep 97.180 97.205 +0.025 97.220 97.180 37783 190574	CENERAL MOUSTREALS 11	36.68 -0.87	-9.94	2.42	5.30	1155.36	Year 104 3.08 5.18 5.21 1.67 1.75 5.47 5.50 0.38 0.41 <b># SOVERSIGNS</b> Year 3.21 3.25 5.26 5.30 1.92 2.00 5.60 5.63 0.57 0.60 ∪K 01/01 4.250 AAA 102	2.307 2.93 -0.16 -0.42 +0.
Dec 96,975 96,990 -0.025 97,000 96,960 11497 108030		74.30 -2.45 58.45 -0.51	-19.48 -4.87	2.33 2.10	3.94 0.00	788.82 980.37	lyear 3.40 3.44 5.30 5.34 2.14 2.22 5.69 5.72 0.80 0.83 Denmark 01/02 4.750 AA+ 103	3.941 3.23 +0.02 -0.25 +0.
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S		37.50 -1.13	-11.53	4.51	4.76	1956.31	year 4.00 4.04 5.31 5.35 2.74 2.82 5.83 5.92 1.50 1.53 year 4.17 4.21 5.32 5.36 2.83 3.01 5.94 5.97 1.68 1.71 <b>III SUPRAMATIONALS</b>	
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**EUROPEAN <u>ECONOMIC</u> & MONETARY** UNION

#### **EMU - THE BUSINESS OPPORTUNITY** Five Months On, An American Perspective

U.S. Embassy, 24 Grosvenor Square. London. England

Thursday, May 13, 1999, 9:00am-5:30pm





**BCIU** 

On January 1, 1999 Europe became the largest single currency trade zone in the world. The new Europe will create substantial new businesses opportunities - for companies who are prepared. American companies have been among the most innovative and aggressive in leveraging the euro. This conference, the first of its kind will explore the strategies used by some U.S. business leaders, and provide their assessment of the first five months of the euro regime. Experts from Ford, IBM, Alliance Capital, 3M. PricewaterhouseCoopers. Morgan Stanley Dean Witter, Warburg Dillon Read. Simon Kucher & Partners and others. Topics include:

- \* Five Months On, The Euro's Progress As A World Currency
- \* American Businesses & EMU Preparation and First Experiences
- ★ Business Strategy For The New Europe

Welcoming Remarks
The Hon. Philip Lader, U.S. Ambassador to the Court of St. James Keynote Addresses

Judith Mayhew, Chairman, Policy and Resources Committee, Corporation of London The Rt. Hon. Lord Howell of Guildford, Advisory Director, Warburg Dillon Read

Delegates are invited to join the speakers and invited guests at a reception from 5:30-7:00pm. For detailed agenda and speaker names please visit www.nsinc.com.



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# Treasuries higher as FOMC meets

BENCHMARK BONDS By John Labate in New York and Khozem Merchant in London

US Treasuries were mostly higher in early trading as the Federal Reserve's Open Market Committee met to decide interest rate policy.

European markets were quiet, distracted by discussions on interest rates in the US and events in Kosovo. Russian prime minister Yevgeny Primakov's talks with Slobodon Milosovic, the Serb leader, gave a little boost in

late trading. By late morning, as the Fed continued talks, the 30-year benchmark Treasury bond had gained % to 94%. sending the yield down to 5.616 per cent. Among shorter-term issues 10-year notes were down 🔒 at 96%, yielding 5.251 per cent, and twoyear notes were off 뉴 at 99줥.

end of the curve was seen as days". a partial unwinding from Monday's sharp sell-off as buyers returned cautiously to the market. The recent ued firmness in the expectaflight to quality at the short tion of interest rate cuts by end, triggered by concerns the European Central Bank over Kosovo, had largely next month.

faded early yesterday. 10,000 put pressure on the [bond] market," said David Donaldson, Lufkin & Jenrette in New York.

The release of the Conference Board's confidence index showed a rise of one point to 133.9, indicating slightly better sentiment about current and forthcoming conditions. The markets await several key reports later this week, including the employment survey on

European markets were "surprise-free," said Alison Cottrell at PaineWebber, "a interpreted as "not discour- tional standards.

The short end of the European yield curve, especially two-year paper, saw contin-

The ECB's case for cutting "These flight to quality rates will have gained sharpbids don't last and the Dow ness after the European Commission's downward revision yesterday of euro-Ging, market strategist at zone gross domestic product growth forecasts for 1999.

The Commission cut its euro-zone growth forecast from 2.6 per cent to 2.2 per cent, in line with OECD forecasts, although some analysts still consider the number optimistic. In any case, it provided ammunition for those supporting a rate cut.

They also saw some hope in Hans Tietmeyer's comments late on Monday that "continuity does not signify immobility", which they ratios in line with interna-

The early rise at the long continuation of the past few aging the expectation of a rate cut". This represents a helps banks and others subtle shift by officials over achieve healthier balance the past month as weak- sheets. nesses have emerged in

euro-zone economies. Comments yesterday by member of the ECB, also pointed to an easing of monetary policy.

In Germany, the 10-year bund futures contract closed up at 113.80, after late gains, while in the cash market the yield on the 10-year bund was 4.04 per cent. UK gilts ended up by a

wafer. The June gilt future

settled at 117, up slightly on the day in shallow trading. In Japan, weak data helped Japanese government bonds rally as equities lost ground on the last but one day before the end-of-year reporting season, when the country's troubled banks

must post capital adequacy

A strong stock market

Yesterday's data underlines the problems hitting the Japanese economy. Eugenio Domingo Solans, a There has been such an flood of weak data that JGBs have become immune to the flow. But the latest figures were so bad that government

securities gained firmly. Unemployment reached a record 4.6 per cent in February; up from 4.4 per cent in January, while household spending fell in February month-on-month, dropping to a 13-year low.

In Tokyo, the benchmark 10-year 203 JGB rallied by 7 basis points pushing the yield down to 1.58 per cent. This performance, said Joanne Collins at Daiwa. "showed investors are prepared to buy into this markets . . . demonstrating, too. no fear of what may happen to interest rates in the US".

# ISE galvanises rivals nine months before opening

The prospects of an electronic options exchange in the US are already bringing big changes to the industry, writes Nikki Tait

expected to be up and run- Commission. ning for nine months, yet prospects of the launch of an electronics exchange that would trade options on the 600 leading US stocks is ble each quarter. Members of bringing big changes to the

US options industry. Earlier this year, the American Stock Exchange, the number two player, cut its trading fees. The Chicago Board Options Exchange, the largest single options market, quickly followed suit, and is also considering its own electronic trading platform and modifying its trading structure. There is also talk of doing away with "grandfathered" options contracts on some leading stocks on which the big options exchanges tacitly

agree not to compete. As with the futures industry in both Europe and the US, the very threat of screen-based trading seems to be galvanising existing players into action even before the effectiveness of the competition has been demonstrated.

The ISE is a joint effort by group of entrepreneurs, financial trading firms, and technology suppliers. Backers include E\*Trade, the first online brokerage, whose founder Bill Porter will be its initial chairman, and Ameritrade, another player in the discount online sector. On the technology side,

suppliers include Sweden's OM Gruppen, which is providing electronic trading software, and Compaq.

Details of ISE's plans bave become available only recently. -as documents the first electronic derivative

ties Exchange has yet to ation have been filed with Cantor Financial Futures see a trade and is not the Securities Exchange

About 30 contracts would be available when the ISE launches next January, and the number would then douthe exchange would be split makers, obliged to support the market for at least 10 contracts and manage orders in their assigned options; ordinary marketmakers who would trade for their own account and maintain markets in a smaller number of assigned options; and an unlimited number of broker/

tronic access members". Gary Katz, senior vice president at the ISE and formerly with the New York Stock Exchange's options division, says the hope is that the main regulatory approvals will arrive by this summer. Technology development is under way, with the host system "well-advanced". The emphasis now is on development of the marketmaker workstations.

dealers, known as "elec-

unding efforts have also started. The ISE itself is said to be fully-funded. after founders raised just under \$30m. However, Adirondack Trading Partners. the backers' private partnership that provided much of this money in exchange for memberships, now needs to sell these, and raise working capital. An additional \$50m

is probably required. The big question, though, is whether the project will fly. Although parallels should not be pushed too far,

he International Securi- describing its proposed oper exchange in the US - the extremely slow start.

pebate.

For the most part the options trading community in Chicago, where the industry was born, seems ambivalent. "I think it will come down to an issue of critical between primary market mass," says an independent trader. "There are some extreme

naysayers - but I'd say it's the best thing that's happened to CBOE members." says another local. But he senses that some practioners are still reluctant to commit because of questions of access, rules and uncertainty over who the exchange's marketmakers will be.

Mr Katz, by contrast, is undaunted. "I think there's also a lot of interest . . . it feels right," he says. The ISE and Adirondack are expected to disclose the names of prospective marketmakers before the end of April, he

Even the ISE admits one challenge is the "best price" execution requirement, under which marketmakers must ensure orders are filled at the best price available from all four US options markets.

Since the ISE will be dealing solely in multiple listed options, and because there is no existing linkage system between the four open outcry options floors, this could make for some harried trad-

Mr Katz concedes that the need to match "away" markets is aiready a problem on some multiple listed contracts, adding that "it's also going to give customers a better, tighter market".

### Financière Agache launches convertible

By Bertrand Benoit

Financière Agache, the French holding company that controls luxury goods groups LVMH and Christian Dior, issued a five-year €500m convertible bond in a quiet market dominated by corporate issuers.

Some bankers said the issue was timed to take advantage of the publicity generated by LVMH's hostile bid for Gucci, the Italian fashion house. But Credit Lyonnais, which managed the issue, said the offering was part of a routine refinancing operation.

Financière Agache holds the majority of voting rights in LVMH and is controlled by Bernard Arnault, the French financier.

WORLD BOND PRICES

**BENCHMARK GOVERNMENT BONDS** 

9.000 108.7400 6.000 113.2700

10 YEAR BENCHMARK SPREADS

+1.50 +0.31 +0.22 +1.08 +0.31 +0.22 +0.07 +1.54 +0.12 +0.22 -2.43

**EMERGING MARKET BONDS** 

The bonds carry a zero coupon and can be exchanged into LVMH equity at a 19.3 per cent premium to Monday's closing price of €243. The paper was priced at €290 and was trading between €293.50 and €295

GMAC, the financing arm of General Motors, took the unusual step of announcing two separate \$1bn issues to be launched today.

The company will offer a five-year floating-rate bond and an eight-year fixed-rate bond, to be priced today. Bankers expected the floater to yield 25 to 30 basis points over Libor, with the fixedrate note yielding 80 basis points over the off-the-run eight-year US Treasury.

There has been a lot of issuance in the five-year and 10-year maturities," one two

-0.34 -0.98 -0.14 -0.75

-0.34 -0.21

-0.09 -0.29 -0.25 -0.28

-0.18 -0.13 -0.09 -0.04

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+0.05 -0.05

-1.06 +0.67 -0.34 -1.02 -0.99 -0.84 -2.75 -0.66

Sep Eturo

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5.000 103.7800 3.00 -0.04 -0.16 -0.27 -1.12 3.750 95.8300 4.30 -0.01 +0.04 +0.01 -0.71 5.000 100.0700 4.95 +0.01 -0.03 -0.41 -0.01 6.000 106.1500 5.15 +0.01 -0.03 -0.28 -0.23 3.31 -0.02 -0.06 4.40 - -

9.25 5.95

New international bond issues Republic of Argentina E BUROS(e) Financière Agache(a)§ Sonera Group Banca del Salento: 99.272R Apr 2009 0.40R 100.00R Apr 2001 0.20R Final terms, non-catable unless stated. Yes \$Convertible, ‡ Floating-rate note. #Semi-abond exchangeable into one LVMH share.

banker said. "I guess offering rarer products, which also apply to the floatingrate bond, will help price

accreting value, b) 6-min Euribor +40bp.

them aggressively." Argentina returned to the market for the third time since the Brazilian devaluation with a 10-year \$1bn bond. This was the second high-profile offering by a Latin American country in

weeks, following

BOND FUTURES AND OPTIONS

Open Sett orice Change

94.42 94.55 +0.13 94.60 - 94.44 +0.13 -

Change

III. MOTHEMAL 5 YEAR GILT FUTURES (LIFFE) \$100,000 100ths of 1009

Mexico's \$1bn six-year bond last week.

Chase Securities, joint lead-manager with Goldman Sachs, said the bond was the first straight issue for Argentina since the crisis. Previous offerings have included options and warrants allowing investors to buy more bonds at a set price.

Chase said confidence in the region had been restored

US CORPO	RATE	ВО	NDS
Mar 29	Red date	Coups	S & P Rating

and investors did not need

enhancements to buy the

paper, but some bankers

said the pricing was deliber-

ately generous to attract

investors in the quiet pre-

The bond was priced to

yield 690 basis points over

the 10-year US Treasury and

traded at the reoffer price.

The issue was sold to 100

investors mostly in the US.

Easter period.

US CORPOR	RATE	BO	NDS	
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						nat a	B4213	
Har 29	Red date	Coupe	Ş & P Rating	Skil price	Bd yeld	chge yet	±ige ytd	y Gents
e unines							•	_
Pac Bell	07/02	7.25	AL.	104,4004	5.74	+0.01	+0.57	+57
R' Tel	08/25	7.00	A.	98,1190	7.15	+0.02	40.04	+15
CWE	05/08	8.00	888	111.6429	6.30	+0.06	+003	+1.0
# FRANCIALS	-					•		
EECC.	05/07	8.75	AAA	117 <i>2</i> 165	6.03	+0.05	-0.05	+0.7
Banc One	08/02	7.25	A	104,0876	5.87	+0.01	-0.07	-58
CNA Fin	01/18	B.95	A-	93,4333	7.61	-	-0.67	+19
MMX Tech	04/99	6.25	938+	100.0000	553	-0.01	-0.15	+1.0
Nai Mart	05/02	6.75	AA	103.5716	5.45	+0.61	+0.05	-5.4
Dayton Hud	05/21	9.70	A-	130,7446	6.95	+0.03	+0.10	+1.3
W AGBICIES ^		٠.		•				
FHEINC	04/07	7.14	N/A	108.0145	- 5.67	+0.12	+0.04	+0.5
SLMA	03/00	7.50	₩A	101,9993	5.28	+0.14		+0.7
RAMA	92/18	8.95	WA.	130.9641	5.15	0.01	+0.04	+0.5
FFCB	06/06	8.95	WA	117.3794	5.93	+0.19	+0.15	+0.6
Stone Cont	02/01	9.88	В	101.6250	0.06	-	-	
AK SZI	12/01	9.13	88-	105,7500	0.00	-	-	
Pacalia	05/04	10.75	<u>B-</u>	96.0000	0.80	=		
RY latest. Standard & P	00('S FREE!	p. Yests	972-2770	besis.	Source	Interactive	Desert la	مضين

US INTEREST RATES

Mar 30	Red, date	Coupán	S&P Rating	Bid price	Bld yld	Agg cyde Crail,e	1411°s chge 702	Spres V Govs
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33	04/07	7.250	ARA	108.2552	593	+0.05	-0.16	
EN Azer	06/07	7.125	A4-	103,9722	6.48	+0.02	-0,05	+1
Duebec	91,107	7.000	A+	105.2702	6.14	+0.03	. <b>–0.07</b>	.+0
Zaticzep FRIM	02/04	5.066	AA-	99.1655	5.26	+0.03	-0.09	+6
e cs					• • • •		:- :	نني .
Bayer L-Sit	08/04	9.500	AAA	117.6325	5.59	+0.03	-0.35	+0
(दनका (M al)	25/04	8.500	AA+	112.8306	5,56	+0.03	-0.31	+1
Bell Carracia	87/99	10.625	A٠	101.3598	5.39	+0.92	-0.36	+1
Bestsche B FRN	(24)	5.875	AA+	100.6297	5.87	+0.03	-0.36	. +6
<b>E</b> £			٠		•	`. :		٠.
<b>32</b>	12/07	7.525	AAA	115,8100	5.30	+0.01	+0.11	46
Dresidoer SK	12/07	7.750	<b>AA</b> -	111,3620	6.02	+0.03	-0.08	41
Broish Sar	03-30	7.525	<b>A+</b>	101,9053.	5.60	+0.12	_0.03	
Abbey New FRSV	02/02	5.587	AA	100.0251	4,86	-0.01	+0.28	+
<b>2</b> 57€				· ;		: ```		
66	01.428	2.750	AAA	103,3396	3.31	+0.04		
Brit Columbia	02/02	3.250	AA	103,6957	1.92		0.01	+
Hydro-Jackec	05/01	6.750	1/2	108,5944	251	-	-0.05	+
Sen Bacz	09/01	1.280	11/2	99.7201	1,49		-0.03	
<b>三 元</b>	•	:		1			) (Billi	1.1
BRD (Montal Sk)	03/02	5.250	AAA	114.1200	0.45	_	-0.06	
Scein (Kinodom)	83/02	5.750	AA	115.5295	0.48	-	-0.10	
Cred Foncier	08/02	4.750	A	112,5476	0.93	-0,01	-0.12	
सिक्षेप्र (निक्क्य)	07/98	0.516	AA	100,0275	0.24	+0.10	+0.04	+
			:		• • •			•
BRD (World BK)	02/08	B.000	AAA	101.5914	5.76	+0.08	_	+
Nur Sth Wales Tr	05/06	6.500	ΠÁ	104,0981	5.79	+0.08		+
S. Aus Gav Fat	08/03	7.750		107.3347	5.74	+0.10		
GMAC Aust	95/01	9.000	<b>2</b> /2	106.7943	5.53	+0.09	0.12	+
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UK BON	DS																	
FTSE Act	uaries	s Gov							_								UK In	
Price Indices UK Gills		Tue Mar 30		Account Interes		Total Return	Yleid	Duration Years	% Welgist	Index-Baked			Tue Mar 30		Accrued	ad adj	Total Return	Weight
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3 10-15 years ( 4 5-15 years (1 5 Over 15 years	8)	183.56 174.60 229.46	+0.1	3.02	2.65 1.53 1.23	1445,46 1363,60 1565,20	4.65 4.66 4.63	8.68 8.72 11.83	13.57 43.33 22.45	3 5-15 years 4 Over 15 y 5 All stocks	eers (4)		243.54 278.35 254.78	+0.09	1.21 1.71 1.41	2.03 2.29 2.00	1319.59 1518.47 1386.84	
6 irredeemables 7 All stocks (41	(4)	317.79 165.42	+0.7	5 3.61	2.21 1.88	1847.85 1351.40	4.75 4.86	21.31 8.51	0.78 100.00	•		I-O-II-	a 0%				der 5% -	.⁻.
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**We want your business.** 

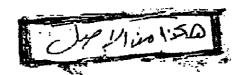
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#### **CURRENCIES & MONEY**

# Debate rages as euro stages recovery

MARKETS REPORT

By Alan Beattle

The debate continued to rage yesterday about the relative importance of Kosovo and euro-zone economic weakness in explaining recent falls in the euro.

The battered currency managed to struggle through yesterday without acquiring any more battle scars, and staged a recovery above the \$1.07 level towards the end of European trading. But sentiment remained wary, in 1999 by 0.4 percentage and the continued high level of option volatilities suggested that uncertainty was likely to remain the chief characteristic of the always far too optimistic and euro in the near future.

The currency got a lift they were to be revised early in the London trading session, which some ascribed to a promise by Russian president Boris Yeltsin to refrain from military involvement and instead try to broker a peace deal.

Mar 30

The beginning of the US down," said Steve Barrow, sharp drop in the value of the currency as it dived back below \$1.07. But by the end of London trading it had climbed back to \$1.076.

■ There was little fresh bad news to justify more euro news to justify more euro weakness yesterday, with markets focusing more on London session before the the forthcoming Federal Reserve meeting.

The European Commission

downgraded its forecast for

euro-zone economic growth points to 2.2 per cent. oints to 2.2 per cent. euro could snap back
But the news had little sharply," he said. impact on the market. "The Commission's forecasts are

it has been well flagged that

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Mar 30	∵ जिला -	Prev. clase
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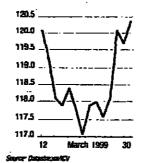
trading session then saw a currency analyst at Bear Stearns in London. "This is just more evi-

dence that the Commission follows the private sector and other governmental organisations in making forecasts," be added.

euro started its rally, said that it was looking a little oversold and might stage a near-term recovery. "If any positive news emerges on the Kosovo situation, the

One analyst claimed that it was just such a rumour in the market which caused yesterday's recovery in the

A story that the Russian prime minister Yevgeny Primakov bad managed to bring Serbia towards a deal gained wide circulation among traders and boosted the currency, he said.



■ As the dearth of news gave the market some respite, it turned its attention to the Federal Reserve meeting after the end of European trading.

Few expected an interest rate rise, though some thought the Fed would announce a tightening bias. "The Fed is unique among major central banks in being the only one even consider-

Mar 30

said Ravi Bulchandani. senior currency economist at Morgan Stanley Dean Witter in London. He said that unlike earlier occasions, a

"The previous tightening cycle started in 1994, but it failed to help the dollar then because of a sell-off in the equity market." he said. "This time round, share price strength means that it may be regarded as dollar

might boost the dollar.

■ The dollar pushed higher against the yen yesterday as rumours of capital flows in the last few days of the fiscal

**TOTHER CURRENCIES** 

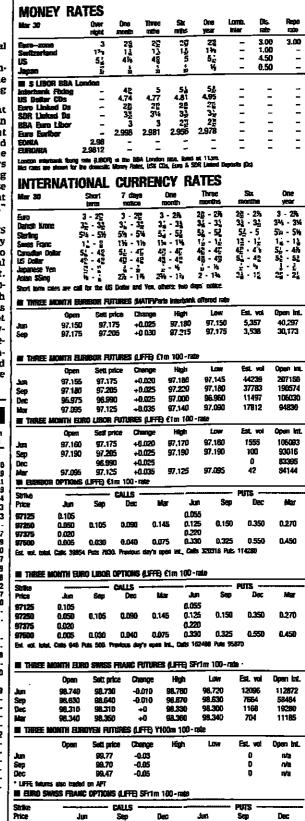
DOLLAR SPOT FORWARD AGAINST THE DOLLAR

considerations. The dollar closed in London at Y120.4 against the yen, higher than its closing values in recent weeks.

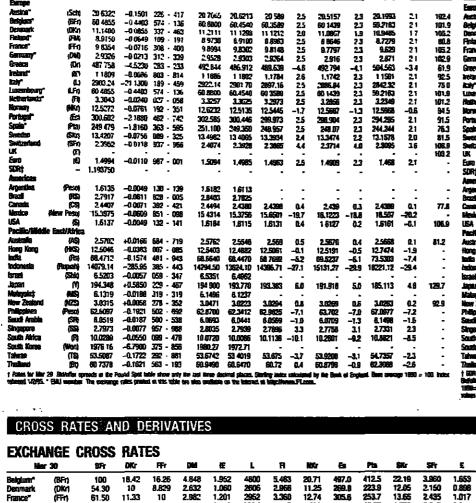
"There are stories that Japanese banks have \$23bn of dollars to be bought before the year end," said one analyst. "So anyone believing those rumours might also want to be long dollars. But a sell-off of those positions could mean that the dollar drops back down," he said.

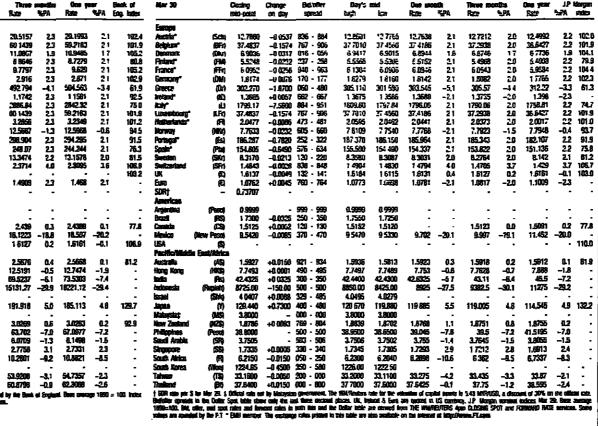
Meanwhile more bad news on the Japanese economy gave a good explanation to those seeking fundamental reasons for the movement. Unemployment rose in February to 4.6 per cent, which could have been expected as corporate restructuring got under way. But more worrying was the decline in households' propensity to consume, which fell to a record 67.8 per cent of disposable

income.



WORLD INTEREST RATES



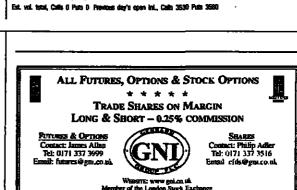


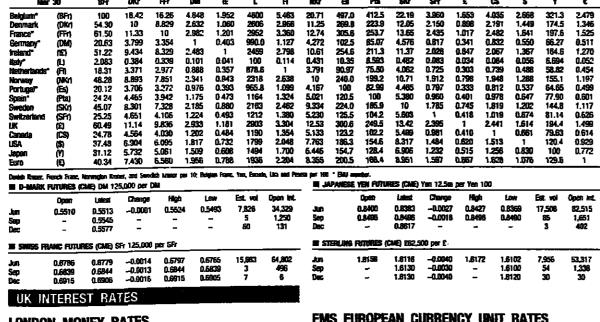
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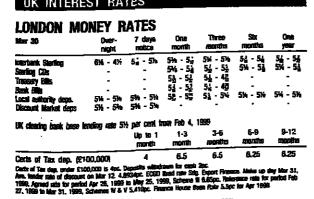
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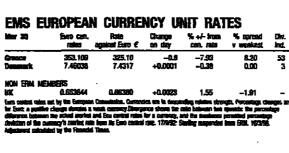






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Jun -	95,020	95,000	0.020	95.020	94,990	10573	181806
Sep	95.100	95.080	-0.030	95,170	95.070	13712	191415
Dec:		94.840	-0.020	94,860	94,840	4613	141566
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Strike	STERLING OP	TICHES (LIFTE	S	poens in		- PUTS	Dec
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Strike Price	STERLING OP	TICHES (LIFFE CALL Sep	S	poens in	Jun 0,115		Dec 0.395
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# Cobalt group signs up London marketing agent

London-based metals trading give further details. firm, has become the exclustate-owned mining group. MRG confirmed yesterday

agent for Gecamines, one of agents. Their appointment is for the two companies, MRG Cobalt Sales, the blue metal but declined to years." it said

worldwide cobalt sales ing MRG as cobalt agent ZCCM, the Zambian mining it had become the exclusive

the largest producers of the for an initial period of three

Meanwhile, Gecamines a deal in January between sive coball marketing agent said it had ended all existing MRG. Gecamines and Ridge nered the market for the for Gecamines. the Demo- marketing deals with other point Overseas Development, metal, possibly controlling a cratic Republic of Congo's agents throughout the the Zimbabwean company third of supplies.

about \$18 a pound after that The announcement follows deal was announced, on suggestions that MRG had cor-

Last October MRG signed are Gecamines' exclusive Gecamines' assets, appoint- a similar agreement with denied it has attempted to

group, giving it exclusive build a dominant position in France and Switzerland.

Together, Gecamines and ZCCM account for about 30 per cent of world supplies of the metal, providing about 8.400 tonnes last year. MRG has previously

cobalt except in Japan, has deliberately accumulated cobalt.

but is also used in superalloys, batteries and tyres, is traded openly between buyers and seller rather than through an exchange.

Cobalt prices trebled to rights to market ZCCM's the cobalt market, or that it of nickel, and supplies have been squeezed in recent months by delays in exports Cobalt, which gives blue from Russia's Norilsk, which glass its distinctive colour has cut nickel production

because of falling prices. Producers in Canada have also run down stocks. Benchmark prices remained steady vesterday at \$16 a pound.

### Malaysia plans GM palm oil

Five years after the US began to produce genetically modified soya beans and rapeseed commercially, Malaysia is engineering the oil palm to compete in the global fats and oils market. The state-run Palm Oil Research Institute of Malaysia (PORIM) is modifying the oil palm to produce more oleic acid in order to create more palm olein, the main type of refined palm oil purchased by such important buyers as India and China and used as cooking oil.

A mono-unsaturated fatty acid, oleic acid is found in large quantities in olive oil. which has shown an ability to ward off heart disease in Mediterranean countries.

PORIM hopes to raise the oleic acid content from 39 per cent to more than SO per cent. This will lower the melting point and allow palm oil, which clouds at low temperatures, to be sold as salad oil in cold countries.

"We have to develop a capability to compete in the oils and fats markets worldwide," said Suan-Choo Cheah, molecular biologist at PORIM.

However, field trials of GM oil palm are at least five rears away, and commercial testing and production perhaps another 10, said Dr Cheah.

GM crops are a means of helping Malaysia overcome labour shortages and lack of

suitable land for expanding oil palm cultivation.

Oil palm is also being modified to produce more stearic acid for use as a cocoa butter substitute to make chocolates and personal care products, such as lotions, shaving cream and rubbing oils. Meanwhile, with the Massachusetts Institute of Technology in the US, PORIM hopes to engineer the oil palm to produce bio-degradable plastics.

Scientists at Stanford University in California have successfully modified Arabidopsis Thaliana, the laboratory model plant to produce the chemical

Of the world's oil crops, oil palm has the greatest potential for the commercial production of bio-degradable plastics as it is the most efficient producer of vegetable

oil per hectare, said PORIM. Oleic acid is also useful as an oleochemical - chemicals derived from oils and fats and used as industrial feedstock and in the food industry - demand for which is growing rapidiy.

PORDI believes that oleochemicals derived from palm oil will help meet future shortages. The supply of lauric oil, which is derived from coconuts and palm kernel and is the traditional source of eleochemicals, is limited. it said.

Rapeseed has been engineered to produce more lauhigh yielding as oil palm.

JOTTER PAD

### Crude oil retreats from early gains

MARKETS REPORT

By Paul Solman

Crude oil prices rose sharply vesterday, reaching \$14.85 a barrel in London at one stage before falling back.

Dealers cited profit-taking as traders rushed to take advantage of the strongest oil prices since the beginning of October.

In late trading on the International Petroleum Exchange, the beliwether May contract for Brent blend was \$14.54 against Monday's close of \$14.58.

Prices also rose in the US, with the benchmark crude contract on the New York Mercantile Exchange rising to \$16.56 a barrel before settling back to \$16.31 in afternoon trading. Monday's

close was \$16.44. The market was awaiting the weekly inventory data from the American Petroleum Institute, due late last

Base metals fell again on the London Metal Exchange, with nickel once again leading the decline. At the close, three-month nickel was \$4,560 a tonne, a fall of more than 3 per cent and \$200 off from the previous close. It fell \$105 on Monday.

The LME's flagship copper contract. meanwhile, dropped \$34 to finish yesterday at \$1,396.50, while aluminium closed at \$1,223.50, down \$22 on the day.

Nigeria's mid-season cocoa harvest is expected to start earlier than usual this season because of good weather. Traders said the harvest would begin in April instead of May, and the crop was likely to be much larger than last year, possibly as much as 25,000 tonnes against last time's 15,000.

May cocoa finished vesterday up \$4 at \$825 a tonne on the London International ric oil, but the crop is not as | Financial Futures and Options Exchange.

### Cameroon puts forests at risk

The largest producer of logs in Africa is running out fast, writes John Madeley

small vehicle on the main road east of Yaounde is all that remains of a crash caused by an unlit logging truck. Three people working for the WWF, the non-governmental organisation specialising in wildlife, monitoring the effects of widespread logging in Cameroon, died as their car colhighest bidder. "The system lided at night with a truck. works against more responsible companies", says an carrying huge logs.

aid worker. Cameroon is now the largest producer of logs in Africa, and there is little forest that has not been logged. The region's tropical forest is the second largest in the world, "but it is disappearing in front of our eyes, most particularly in Cameroon". said Pierre de Maret, director of an European Commission-funded project on tropiforest sector . cal forest people. He believes Cameroon's forest is being

exploited at a faster rate than is sustainable. In 1997. Cameroon produced 3m cubic metres of of what they are doing. The timber, according to the monitoring side of forest International Tropical Tim- management needs to be ber Organisation. 10 per cent stepped up, he said. more than in 1996. Neigh-Leaders of six central Afribouring Gabon produced can countries recently

APONIMODIUE SPRICES AND A

**BASE METALS** 

LONDON METAL EXCHANGE **THE ALLIAGRADURA, 99.7 PURSTY (Signer 1970)** 

he battered wreck of a ranked Cameroon as the most corrupt of 85 countries studied in a recent survey. Concessions to exploit the forests are awarded through a bidding system, with most concessions in Cameroon granted to the company prepared to offer the highest financial inducements to officials rather than the

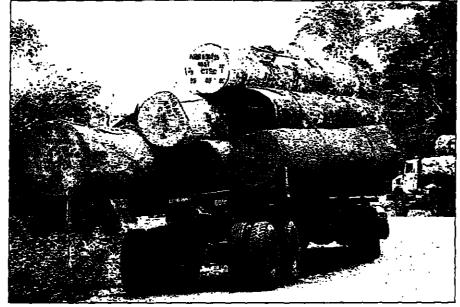
> At a recent central African summit meeting on tropical forests, Chief Emaka Anyaoku, secretary-general of the Commonwealth, and a member of the World Commission on Forests and Sustainable Development, warned of the "debilitating effects of corruption in the

Corruption often meant companies that are not performing well are given logand there is little inspection

2.5m cubic metres in 1997. approved the "Yaounde Decthe second highest in Africa. laration", which aims to cre-High levels of corruption are areas of protected foris one factor exacerbating ests. While the declaration is Transparency international, forest conservation, it does

> Precious Metals continued ■ GOLD COMEY (100 Tray oz. S/tray oz.)

> > 280.5 279.0 13.118 7,517



not mention corruption. "concerted efforts to stamp out poaching and any other non-sustainable exploitation in the sub-region".

The EC's aid projects in the region emphasise conservation and sustainable use of forest, with the involvement of local people. But with such efforts in danger of being undermined by corruption, the Commission, like other aid donors, is now making it clear that aid could be at stake unless steps are taken to stamp out cases of corruption.

ogging is selective and often hidden. Due to the patchy quality of the forests, operators usually take the most valuable tree but the problem. The NGO, a high-level commitment to the environmental damage of this practice is severe.

GRAINS AND OH SEEDS

"In dragging out this tree. referring only to taking about 10 per cent of the forest may be damaged," said Hans-Peter Schadek of the European Commission, the main funder of forest conservation projects in central

> On the surface, there may be a respite of the logging in the country due to the finanexport ban by the Cameroon government of raw logs.

active in central Africa, siderably last year, with the financial crisis leading to lower demand, but this may only be temporary, as

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And although from the end of June this year, the Cameroon government plans to ban the export of raw logs, this is unlikely to stop the logging. Almost 60 per cent of the country's logs are exported. The government's motiva-

tion for the ban is primarily to help the country's sawcial crisis in Asia and an milling industry rather than reduce the production of logs. It then hopes to While European logging increase exports of processed companies have long been sawn wood and veneers.

Meanwhile, Cameroon's Asian logging companies logging has had other effects also became prominent in on the environment. It has the early 1990s. Asian been accompanied by grow-involvement eased off con- ing illegal poaching and "bushmeat" trade as the forests have become more accessible. Poachers are shooting antelope, chimpandemand is expected to pick zees and even gorillas for

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\$16.33-6.35 \$132-133 \$84-6<del>5</del> \$132-134 \$143-144 9.30-9.35 Bacton (Apri **同时** Gold goer troy bayê Saker (per troy azjê

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12 Stocky class in the bottom 13 New pupils in trial shoot

10 Band harvesting sainfoin

17 Instrument in middle o 15 Two pigs with their tails docked in London district 16 Criminal prepared meal

Without recipe (7) 20 It's put into sauce to give 19 Squeeze out mop into the weight (7) 21 Get a trainee to give voice 22 Climbing gathers energy 25 Heart of adamant in fiction 23 Change the law enforce

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30 Third person was the first 31 Drags round a blower (6)

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For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

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AM Othcial Kerb clase Open Int. Total daily tumover	20.145 4.075	5030-35 5020-25 net	Oci Total ■ CRU	16.03 IDE OIL 16 Spen price	E IS/ba Day's change	16.13 nes	15.93 Law	1,871 124,846 	19,10 608,24 Open
AM Official Kerb clase Open Ird. Total daily turnover M ZHBC, special h Clase	20.145 4.075 righ grade (S per ton 987 5-8.5	5230-35 5220-25 net	Oci Total	16.03 IDE OIL 16 Spen price	E IS/ba Day's	16.13 nes	15.93 Law	1,871 124,846 	19,10 608,24 Open
AM Official Kerb cluse Open Int. Total daily tumover III ZHIG, special h Close Previous	20.145 4.075 nigh grade (S per ton	5230-35 5220-25 net 1006-7 1053-54	Oci Total ■ CRU	16.03 FDE OIL 16 Spon price 14.54	E IS/ba Day's change	16.13	15.93 Law 14.46	1,871 124,846 	19,10 508,24 Open str 74,71
AM Official Kerb cluse Open Int. Total daily turnover III ZHIC, special h Close Previous High/low	20.145 4.075 <b>iigh grade</b> (S per ton 987 5-9.5 1037-36	5230-35 5220-25 ne) 1006-7 1053-54 1049/994	Oci Total CRU	16.03 FDE OIL 16 Spen price 14.54 14.53	E IS/Da Day's change -0.04 +0.02	16.13 rres : High 14.85 14.70	15.93 Law 14.46 14.44	1,871 124,846 Vol 13,361 8,539	19,10 508,24 Open ast 74,71 74,28
AM Oracial Kerb clase Open Int. Total daily turnover M ZHAC, special in Crewous High/low AM Oracial	20.145 4.075 righ grade (S per ton 987 5-8.5	5230-35 5220-25 1006-7 1059-54 1049-994 994-5	Oct Total  CRU  May Jun Jul	16.03 FDE OIL 16 Spon price 14.54 14.53 14.45	E IS/ba  Day's  change  -0.04  +0.02  +0.02	16.13 rres 2 High 14.85 14.70 14.60	15.93 Law 14.46 14.41 14.41	1,871 124,846 Voi 13,361 8,539 3,391	19,10 508,24 Open ist 74,71 74,28 29,17
AM Original Kentr classe Open Int. Total daily turnover III ZHIC, special in Class Previous Highlinu AM Original Aget class	20.145 4.075 high grade (S. per ton 987 5-9.5 1037-36 978-9	5230-35 5220-25 ne) 1006-7 1053-54 1049/994	Oct Total  CRU  May Jun Jul Aug	16.03 EDE OIL 19 Spon price 14.54 14.53 14.45 14.42	E 5/ba  Bay's  change  -0.04  +0.02  +0.02  +0.02	16.13 rres 2 High 14.85 14.70 14.50 14.55	15.93 Law 14.45 14.41 14.39	1,871 124,846 Vol 13,361 8,539 3,391 951	19,10 508,24 Open ást 74,71 74,28 29,17 9,96
AM Oracial Kento clase Open Int. Total daily tumper TE ZHIC, special in Clase Prawous Highliau AM Official Aerb close Open Int.	20.145 4.075 righ grade (5 per ton 987 5-8.5 1037-38 978-9 95.538	5230-35 5220-25 1006-7 1059-54 1049-994 994-5	Oct Total  CRU  May Jun Aug Sep	16.03 EDE OIL 16 Span price 14.54 14.53 14.45 14.49	Day's change -0.04 +0.02 +0.02 +0.03 +0.05	16.13 14.55 14.50 14.55 14.52	15.93 Low 14.46 14.41 14.39 14.40	1,871 124,846 Voi 13,361 8,539 3,391 951 1,042	19,10 508,24 Open at 74,71 74,28 29,17 9,96 15,55
AM Oriccal Kento classe Open Int. Total daily turnover Total daily turnover Total daily turnover Total daily turnover AM Official Kento classe Open Int. Total daily turnoves	20.145 4.075 righ grade (S. per ton 987 5-8.5 1037-38 978-9 95.538 31.557	5230-35 5220-25 1006-7 1059-54 1049-994 994-5	Oct Total  CRU  May Jun Jul Aug Sep Oct	16.03 EDE OIL 16 Span price 14.54 14.53 14.45 14.49	E 5/ba  Bay's  change  -0.04  +0.02  +0.02  +0.02	16.13 rres 2 High 14.85 14.70 14.50 14.55	15.93 Law 14.45 14.41 14.39	1,871 124,846 13,361 8,539 3,391 951 1,042 952	19,10 508,24 Open 57,71 74,28 29,17 9,96 15,55 7,71
AM Oriccal Kento classe Open Int. Total daily turnover Total daily turnover Total daily turnover Total daily turnover AM Official Kento classe Open Int. Total daily turnoves	20.145 4.075 righ grade (S. per ton 987 5-8.5 1037-38 978-9 95.538 31.557	5230-35 5220-25 1006-7 1059-54 1049-994 994-5	Oct Total  CRU  May Jun Aug Sep	16.03 EDE OIL 16 Span price 14.54 14.53 14.45 14.49	Day's change -0.04 +0.02 +0.02 +0.03 +0.05	16.13 14.55 14.50 14.55 14.52	15.93 Low 14.46 14.41 14.39 14.40	1,871 124,846 Voi 13,361 8,539 3,391 951 1,042	19,10 508,24 Open at 74,71 74,28 29,17 9,96 15,55
AM Oriccal Kento clase Open int. Total daily turnover W Zitatc, special in Close Frennous Highliou AM Official Aerb close Open int. Total daily turnover W COPPER, grade	20.145 4.075 nigh grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31,557 A (S per tonne)	5230-35 5220-25 me) 1006-7 1053-54 1049-984 384-5 998-9	Oct Total  May Jun Aug Sep Oct Total	16.03 EDE OIL II Span price 14.54 14.53 14.45 14.40 14.38	E IS/ba Day's change -0.04 +0.02 +0.02 +0.05	16.13 High 14.85 14.70 14.50 14.52 14.50	15.93 Law 14.46 14.44 14.49 14.38 14.40	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a	19,10 508,24 Open str 74,71 74,28 29,17 9,96 15,56 7,711
AM Official Kert clase Open Int. Total daily turnover III ZHIC, special in Cose Previous Highliou AMN Official Kert clase Open Int. Total daily turnover III COPPER, grade Clase	20.145 4.075 righ grade (5 per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (5 per tonne)	5230-35 5220-25 ne) 1006-7 1050-54 104994 994-5 998-9	Oct Total  May Jun Aug Sep Oct Total	16.03 FDE OIL II Span price 14.54 14.53 14.45 14.42 14.43 14.33	Day's change -0.04 +0.02 +0.02 +0.05 +0.05	16.13 High 14.85 14.70 14.50 14.52 14.50	15.93 Law 14.46 14.44 14.49 14.38 14.40	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a	19,10 508,24 0pen lat 74,71 74,28 29,17 9,96 15,55 7,711 n/
AM Ortical Kerb clase Open Int. Total daily ternover III Zilaic, special is Close Previous Highlina AM Official Aerb clase Open Int. Total daily ternoves III Copper, grade Close Previous	20.145 4.075 nigh grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31,557 A (S per tonne)	5230-35 5220-25 1006-7 1055-54 1049-954 984-5 998-9	Oct Total  May Jun Aug Sep Oct Total	16.03  Spen price 14.54 14.45 14.49 14.38  Jing Oil Latest	E IS/Da Day's change -0.04 +0.02 +0.05 +0.05 WAREX Day's	16.13 16.13 14.85 14.70 14.55 14.50 14.50 14.50	Low 14.46 14.44 14.38 14.40 14.37	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a	19,10 508,24 Open at 74,711 74,28 29,17 9,96; 15,55; 7,711 0pen
AM Official Kentr clase Open Int. Total staff temporer W ZHRC, special in Close Previous High/Nov AM Official Aerb close Open Int. Total staff tempores E COPPER, grade Close Previous High/Nov	20.145 4.075 night grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (S per tonne) 1351-2 1391 5-92.5	5230-35 5220-25 ne) 1006-7 1050-54 104994 994-5 998-9	Oct Total  May Jun Aug Sep Oct Total	16.03  Spen price 14.54 14.45 14.49 14.38  Jing Oil Latest	Day's change -0.04 +0.02 +0.02 +0.05 +0.05	16.13 16.13 14.85 14.70 14.55 14.50 14.50 14.50	15.93 Law 14.46 14.44 14.49 14.38 14.40	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a	19,10 508,24 0pen lat 74,71 74,28 29,17 9,96 15,55 7,711 n/
AM Official Kerb clase Open Int. Total daily temover III ZisiC, special in Corse Premous Hightfor AM Official Aerb clase Open Int. Total daily temover III CORPER, grade Classe AM Official AM Official AM Official	20.145 4.075 righ grade (5 per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (5 per tonne)	5230-35 5220-25 1006-7 1055-54 1049-954 984-5 998-9	Oct Total  CRU  May Jun Jun Aug Sep Oct Total  HEA	16.03 Span price 14.54 14.53 14.45 14.40 14.38 JUNG OH.	Day's charge -0.04 +0.02 +0.05 +0.05 WAREX	16.13 16.13 14.85 14.50 14.55 14.50 14.50 14.50	15.93 Law 14.46 14.41 14.39 14.40 14.37	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a 406	19,10 508,24 Open 827 74,711 74,28 29,17 9,96 15,55 7,711 0/ 0pen fmt
AM Official Kentr clase Open Int. Total staff temporer W ZHRC, special in Close Previous High/Nov AM Official Aerb close Open Int. Total staff tempores E COPPER, grade Close Previous High/Nov	20.145 4.075 night grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (S per tonne) 1351-2 1391 5-92.5	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CRU May Jun Aug Sep Oct Total  HEA	16.03 EDE OEL 14 Span price 14.54 14.45 14.42 14.42 14.43 14.38 TIME OEL Latest price 43.30	Day's change -0.04 +0.02 +0.05 +0.05 WAREX -0.10	16.13 18gh 14.85 14.50 14.55 14.50 14.50 14.50 14.50	15.93 Low 14.46 14.41 14.39 14.40 14.37 US gats.	1,871 124,846 13,361 13,361 8,539 3,391 951 1,042 952 0/a 406 16,517	19,10 508,24 0pen str 74,71 74,28 29,17 9,96 15,55 7,711 0pen for 15,46
AM Official Kerb cluse Open Int. Total daily temover W Zilati, special is Close Close Am Official Amb close Open Int. Total daily temover B COPPER, grade B COPPER, grade Kerb close Fremous Kephany AM Official Kerb close	20.145 4.075 1987 5-8.5 1037-38 978-9 95.538 31.557 A IS per torque 1361-2 1361-1.5	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 986-9 11390-1 1420-20.5 140071385	Oct Total  CRU  May Jur Jur Jur Aug Aug Oct Total  MEA	16.03 Spen price 14.54 14.45 14.49 14.49 14.33 JIMG OH. Laterst price 43.30 43.00	Day's change -0.04 +0.02 +0.05 +0.05 WAREX -0.10 -0.26	16.13 18gh 14.85 14.50 14.55 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50	15.93 Low 14.46 14.41 14.30 14.37 US gats 42.45 42.50	1,871 124,846 13,361 8,539 3,391 951 1,042 0/8 14,539 14,539 14,539 14,539 14,539 15,517 13,929	19,10 508,24 Open fat 74,711 74,28 29,17 9,96 15,55 7,711 0pen fat 15,46 39,79
AM Official Kerb close Open Int. Total daily turnover III ZHIC, special in Close Previous High/New AM Official Aerb close Open Int. Total daily turnover III COPPER, grade Close Previous High-New AM Official Kerb close Open Int. Total daily turnover III COPPER, grade	20.145 4.075 night grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (S per tonne) 1351-2 1391 5-92.5 1361-1.5	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CRU  May Jun Aug Oct Total  HEA Apr May Jen	16.03 Spen sprice 14.54 14.53 14.42 14.40 14.33 JUNG OIL Lateral price 43.30 43.20	Pay's change -0.04 +0.02 +0.05 +0.05 Pay's change +0.10 -0.26 -0.16 -0.16	16.13 High 14.85 14.70 14.55 14.50 14.50 14.50 43.30 43.30 43.30	15.93 Low 14.46 14.41 14.39 14.37 US gats Low 42.45 42.50 42.70	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a 46/ 16,517 13,929 5,338	19,10 608,24 Open sixt 74,71 74,28 29,17 9,96 15,55 7,71 M 6s,1 Open int 15,46 39,79 22,46
AM Official Kert clase Open Int. Total daily Europee  III ZHIC, special in ZHIC, special in ZHIC, special in Close Previous High/Nov AM Official Aerb close Open Int. Total daily temover ECOPPER, grade Close Previous High/Nov AM Official Kert close Open Int. Total daily temover	20.145 4.075 night grade (S. per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A IS per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32,316	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CANU  May Jun Jun Oct Total  Apr Apr Jun	16.03  Spen price 14.54 14.54 14.45 14.42 14.40 14.33  JTMG OIL Latest price 43.30 43.00 43.25	E IS/ba Day's change +0.02 +0.05 +0.05 +0.05 WMEX Pay's change +0.10 -0.26 -0.41	16.13 High 14.85 14.70 14.55 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50	15.93 Low 14.46 14.41 14.30 14.37 US gats 42.45 42.50	1,871 124,846 13,361 8,539 3,391 951 1,042 0/8 14,539 14,539 14,539 14,539 14,539 15,517 13,929	19,10 608,24 Open sixt 74,71 74,28 29,17 9,96 15,55 7,71 M 6s,1 Open int 15,46 39,79 22,46
AM Official Kert clase Open Int. Total daily Europee  III ZHIC, special in ZHIC, special in ZHIC, special in Close Previous High/Nov AM Official Aerb close Open Int. Total daily temover ECOPPER, grade Close Previous High/Nov AM Official Kert close Open Int. Total daily temover	20.145 4.075 night grade (S. per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A IS per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32,316	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CRU  May Jun Ang Sep Oct Total  MEA Apr Apr Apr Ang Apr Apr Ang Apr Ang Ang Sep Total  Apr Ang Ang Ang Sep Total  Ang Ang Ang Ang Ang Ang Ang Ang Ang An	16.03 RDE OBL 16 Span price 14.54 14.45 14.49 14.49 14.38 37/86 OBL Latest price 43.20 43.20 43.20 43.25 43.95	E IS/ba Day's change +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 -0.16 -0.21 -0.21	16.13 High 14.85 14.70 14.55 14.50 14.50 14.50 43.30 43.30 43.30	15.93 Low 14.46 14.41 14.39 14.37 US gats Low 42.45 42.50 42.70	1,871 124,846 13,361 8,539 3,391 951 1,042 952 0/a 46/ 16,517 13,929 5,338	19,10 508,24 Open 74,711 74,28 9,96 15,55 7,711 of 6s./ Open 15,46 133,79 22,46 17,62
AM Official Kerb clase Open Int. Total daily temover The Zisic, special in Class Cross Previous Highlytou AM Official Aerb class Open Int. Total daily temoves E COPPER, grade Class Previous Highlytou Dopen Int. Total daily temoves E COPPER, grade Class Previous Highlytou	20.145 4.075 1981 grade (5 per ton 987 5-8.5 1037-38 978-9 95.538 31.537 A IS per tonne) 1351-2 1391 5-92.5 1361-1.5 174,071 12.3116 all £45 rate; 1,6149	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CANU  May Jun Jun Oct Total  Apr Apr Jun	16.03 RDE OBL 16 Span price 14.54 14.45 14.49 14.49 14.38 37/86 OBL Latest price 43.20 43.20 43.20 43.25 43.95	E IS/ba Day's change +0.02 +0.05 +0.05 +0.05 WMEX Pay's change +0.10 -0.26 -0.41	16.13 16.13 16.13 14.85 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 43.30 43.50 43.70 43.95	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 3,391 951 1,042 952 14,045 961 16,517 13,929 5,338 4,239 2,628	19,10 508,24 Open 74,711 74,28 9,96 15,55 7,711 of 15,46 139,76 22,46 17,62 115,78
AM Official Kerb clase Open Int. Total daily temover The Zisic, special in Class Cross Previous Highlytou AM Official Aerb class Open Int. Total daily temoves E COPPER, grade Class Previous Highlytou Dopen Int. Total daily temoves E COPPER, grade Class Previous Highlytou	20.145 4.075 night grade (S. per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A IS per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32,316	5230-35 5220-25 ne) 1006-7 1053-54 1049-994 984-5 998-9 1330-1 1420-20.5 14007385 1380-1	Oct Total  CRU  May Jun Ang Sep Oct Total  MEA Apr Apr Apr Ang Apr Apr Ang Apr Ang Ang Sep Total  Apr Ang Ang Ang Sep Total  Ang Ang Ang Ang Ang Ang Ang Ang Ang An	16.03 RDE OBL 16 Span price 14.54 14.45 14.49 14.49 14.38 37/86 OBL Latest price 43.20 43.20 43.20 43.25 43.95	E IS/ba Day's change +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 -0.16 -0.21 -0.21	16.13 16.13 16.13 14.85 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 43.30 43.50 43.70 43.95	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily turnover III ZIRC, special in Corse Previous Hightforu AM Official Aerb clase Open Int. Total daily turnover III COPPER, grade Clase Previous Hightforu AM Official Kerb clase Open Int. Total daily turnover III LINE Classing £	20.145 4.075 1987 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 37.537 A (S per tonne) 1351-2 1391 5-92.5 1361-1.5 174,071 12,316 at £75 rate: 1.5149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  CRU  May Jun Jun Aug Sep Oct Total  MEA Apr Alan Aug Sep Jun Aug Sep Sep	16.03 RDE OBL 16 Span price 14.54 14.45 14.49 14.49 14.38 37/86 OBL Latest price 43.20 43.20 43.20 43.25 43.95	E IS/ba Day's change +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 -0.16 -0.21 -0.21	16.13 16.13 16.13 14.85 14.50 14.50 14.50 14.50 14.50 14.50 14.50 14.50 43.30 43.50 43.70 43.95	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 3,391 951 1,042 952 14,045 961 16,517 13,929 5,338 4,239 2,628	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily turnover III ZIRC, special in Corse Previous Hightforu AM Official Aerb clase Open Int. Total daily turnover III COPPER, grade Clase Previous Hightforu AM Official Kerb clase Open Int. Total daily turnover III LINE Classing £	20.145 4.075 1981 grade (5 per ton 987 5-8.5 1037-38 978-9 95.538 31.537 A IS per tonne) 1351-2 1391 5-92.5 1361-1.5 174,071 12.3116 all £45 rate; 1,6149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  Age Sep Total Sep Total	16.03 BDE OBL 14 Span price 14.54 14.45 14.45 14.40 14.38 JUNG OBL Laterst price 43.30 43.00 43.25 43.95 44.65	E S/0a Sary's change -0.04 +0.02 +0.05 +0.05 +0.05 WMEX -0.16 -0.41 -0.21 -0.21	16.13 14.85 14.50 14.55 14.50 14.50 14.50 42.00 14.50 43.30 43.30 43.37 43.95 44.55	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily turnover III ZIRC, special in Corse Previous Hightforu AM Official Aerb clase Open Int. Total daily turnover III COPPER, grade Clase Previous Hightforu AM Official Kerb clase Open Int. Total daily turnover III LINE Classing £	20.145 4.075 1987 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 37.537 A (S per tonne) 1351-2 1391 5-92.5 1361-1.5 174,071 12,316 at £75 rate: 1.5149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  Agr Ang Sep Total	16.03 RDE OBL 16 Span price 14.54 14.45 14.49 14.49 14.38 37/86 OBL Latest price 43.20 43.20 43.20 43.25 43.95	E S/0a Sary's change -0.04 +0.02 +0.05 +0.05 +0.05 WMEX -0.16 -0.41 -0.21 -0.21	16.13 14.85 14.50 14.55 14.50 14.50 14.50 42.00 14.50 43.30 43.30 43.37 43.95 44.55	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily turnover III ZIRC, special in Corse Previous Hightforu AM Official Aerb clase Open Int. Total daily turnover III COPPER, grade Clase Previous Hightforu AM Official Kerb clase Open Int. Total daily turnover III LINE Classing £	20.145 4.075 1987 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 37.537 A (S per tonne) 1351-2 1391 5-92.5 1361-1.5 174,071 12,316 at £75 rate: 1.5149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  Agr Ang Sep Total	16.03  BE OIL IFE (  O	E S/02 Day's change -0.04 +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 -0.16 -0.21 -0.21	16.13 14.85 14.50 14.55 14.50 14.50 14.50 42.00 14.50 43.30 43.30 43.37 43.95 44.55	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily ternover III ZHAC, special in Clase Close Clo	20.145 4.075 1987 5-8.5 1037-38 978-9 95.538 37.557 A 15 per torque 1361-1.5 174,071 32,316 at £45 rate 1.6149 1510 6 artis; 1.6149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  Agr Ang Sep Total	16.03  BDE OBL W Span price 14.54 14.45 14.49 14.40 14.38  JUMG OBL Laters1 price 43.00 43.20 43.20 43.25 44.65	E S/bays Change -0.02 +0.02 +0.05 +0.05 +0.05 -0.41 -0.21 -0.16 -0.41 S/torne	16.13 High 14.85 14.50 1	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 Open att 74,711 74,28 29,17 9,96 15,55 7,711 of 58,1 Open fot 15,46 39,740 27,462 15,76
AM Official Kerb clase Open Int. Total daily ternover III ZHAC, special in Clase Close Clo	20.145 4.075 1987 5-8.5 1037-38 978-9 95.538 37.557 A 15 per torque 1361-1.5 174,071 32,316 at £45 rate 1.6149 1510 6 artis; 1.6149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  Agr Ang Sep Total	16.03  BDE OBL W Span price 14.54 14.45 14.49 14.40 14.38  JUMG OBL Laters1 price 43.00 43.20 43.20 43.25 44.65	E S/02 Day's change -0.04 +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 -0.16 -0.21 -0.21	16.13 High 14.85 14.50 1	15.93 Low 14.46 14.41 14.33 14.40 14.37 15 gats Low 42.45 42.50 42.75 43.65	1,871 124,846 13,361 8,539 951 1,042 952 0/a 6,517 13,929 5,338 4,239 2,628 1,067	19,10 508,24 0gen 817 74,78 9,96 15,55 7,711 68,7 0gen 15,46 33,79 22,46 17,67 18,08 74,48 0gen 0gen 0gen 0gen 0gen 18,08 18,0
AM Official Kerb clase Open Int. Total daily turnover III ZIRIC, special in Corse Premous Highthou AM Official Aerb clase Open Int. Total daily turnover III Corse Crosse Premous Highthou AM Official Kerb clase Open Int. Total daily turnover II LINE Classing II LINE Classing II LINE Classing Spot 16119 3 Intic. 1	20.145 4.075 1999 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A IS per tonne) 1361-1.5 1361-1.5 137.316 at £45 rate: 1.6149 15110 6 mitt: 1.6149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	May Jun Aug Oct Total App Oct Total App Jun Aug Sep Total	16.03  DE OIL W Spin price 14.54 14.45 14.45 14.49 14.48 11.49 14.49 14.30 43.00 43.20 43.25 43.95 44.65	E S/bay S charage	16.13 High 514,7000 High 43,300 High 43,30	15.93 Law 14.46 14.41 14.41 14.37 14.39 14.37 Low 42.53 42.70 43.15 43.44 40 Low 44.40	1,871 124,846 14,361 8,533 3,391 1,942 957 1,942 95,29 95,338 4,239 1,067 149,9471	19,10 508,24 0pen str 74,71 74,28 8,7 0pen 15,55 7,711 68,7 0pen 15,46 33,79 22,46 17,67 19,08 74,48 0pen int
AM Official Kerb clase Open Int. Total daily turnover III ZIRIC, special in Corse Premous Highthou AM Official Aerb clase Open Int. Total daily turnover III Corse Crosse Premous Highthou AM Official Kerb clase Open Int. Total daily turnover II LINE Classing II LINE Classing II LINE Classing Spot 16119 3 Intic. 1	20.145 4.075 1987 5-8.5 1037-38 978-9 95.538 37.557 A 15 per torque 1361-1.5 174,071 32,316 at £45 rate 1.6149 1510 6 artis; 1.6149	5230-35 5220-25 1006-7 1053-54 1049-994 994-5 998-9 1390-1 1420-20.5 1400-7385 1390-1 1387-8	Oct Total  May Jun Ang Sep Total  MEA Apr Mey Jon Jul Aug Sep Total  GAS	16.03  DE OIL IFE ( Spin price  14.54 14.45 14.45 14.42 14.40 14.33  JUNG OIL  Lattest price  43.30 43.00 43.25 43.95 44.65  COIL IFE ( Seft prices  130.50	E S/bays Change -0.04 +0.05 -0.04 +0.05 S/corne	16.13 14.85 14.70 14.85 14.50 14.30 42.00 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35 14.35	Low 14.46 14.41 14.38 14.40 14.37 42.50 44.40 Low 133.00	1,871 124,846 104 13,361 13,361 951 1,042 048 404 16,517 13,329 405 40,547 16,517 13,529 42,39 2,638 1,239 44,9471	19,10 508,24 Open att 74,711 9,96 15,56 7,711 of 6s,1 Open int 15,46 39,79 15,78 15,78 16,78 16,78 16,78 16,78 17,62 16,78 17,62 16,78 17,62 16,78 17,62 17,62 17,71 18,78 18,7
AM Official Kerb clase Open Int. Total daily turnover Talzac, special in Clase	20.145 4.075 1998 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31,557 A IS per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32,316 al £45 rate: 1.6149 VS rate: 1.6149	5230-35 5220-25 me) 1006-7 1053-54 1049-994 984-5 988-9 1390-1 1420-20.5 (4007-325 1390-1 1387-8	Oct Total  May Juri Ang Sept Total  HEA  Apr May Jon Total  Sept Total  Reg Sept Total  Reg Sept Total	16.03  BE OIL W  Span price 14.54 14.53 14.45 14.40 14.33  JUNG OIL Latest 43.30 43.20 43.20 43.25 44.65  OUL PE (  Soft price 130 50 129 50	E S/bays -0.04 +0.02 +0.05 +0.05 +0.05 +0.05 +0.05 -0.01 -0.21 -0.21 -0.21 -0.21 -0.21 +0.10 -0.26 +0.11 -0.21 +0.10 +0.26 +0.21 +0.10 +0.26 +0.21 +0.10 +0.21 +0.	16.13 14.85 14.85 14.85 14.85 14.85 14.20 14.20 14.25 14.25 14.25 14.25 14.25 14.25 14.25 14.25 14.25 14.25	15.93  Line 14.46 14.44 14.39 14.40 14.37 15.98 42.45 42.70 43.65 44.40 12.80 12.80 12.80 12.80 12.80 12.80	1,871 124,846 101 13,361 13,361 10,42 951 10,42 952 952 952 10,63 40,64 16,517 13,929 2,628 1,067 49,947 149,947 149,947 149,947	19,10 608,24 Upon str 74,711 74,28 29,17 9,96 17,67 19,96 17,67 19,76 19
AM Official Kert clase Open Int. Total daily turnover Interview Close Previous High/New AM Official Aerb clase Open Int. Total daily turnover Int. Int. Int. Int. Int. Int. Int. Int.	20.145 4.075 sigh grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31.557 A (S per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32.316 al £45 rate: 1.6149 275 rate: 1.5149 16110 6 mits: 1.61149	1006-7 1055-54 1049-984 984-5 998-9 1390-1 1420-21 142	Oct Total  May Jun Ang Oct Total  App July Ang Oct Total  App Total  App Total  App Total  App Total  App Total	16.03  DE OIL 19  Span price 14.54 14.53 14.45 14.40 14.33  JUNG OIL Lattest price 43.30 43.20 43.25 44.85  OIL PE (  Soft prices 130 50 129.50 129.50	E S/0a/S Change -0.04 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.10 -0.21 +0.50 +0	16.13 14.85 14.85 14.85 14.85 14.85 14.85 14.85 14.85 14.85 14.85 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35 18.35	15.93  Law 14.46 14.41 14.39 14.49 14.37 15 qats 42.45 42.50 43.15 43.65 44.40  Law 133.00 133.00 128.75	1,871 124,846 13,351 13,351 951 1,042 952 m/a 16,517 13,929 42,29 2,067 42,347 42,347 42,347 44,347 46,750 3,331	19,10 608,24 Open att 74,23,17 9,96 15,771 of 68,7 Open int 133,76 74,48 Open int 27,16 27,4 34,7 34,7 34,7 34,7 34,7 34,7 34,7 3
AM Official Kerb clase Open Int. Total daily turnover III ZIRC, special in Corse Previous High/Nov AM Official Aerb clase Open Int. Total daily turnover III Corperate Corse Corse Previous High/Nov AM Official Aerb clase Open Int. Total daily turnover III Lave Classing Spot 16119 3 miles 1  III HIGH GRADE CO Serts Co price Co Serts Co Price Co Fire	20.145 4.075 1998 grade (S per ton 987 5-8.5 1037-38 978-9 95.538 31,557 A IS per tonne) 1361-2 1391 5-92.5 1361-1.5 174,071 32,316 al £45 rate: 1.6149 VS rate: 1.6149	5230-35 5220-25 1006-7 1055-54 1049/994 994-5 998-9 1390-1 1420-20.5 14007/385 1390-1 1387-8	Oct Total  May Juri Ang Sept Total  HEA  Apr May Jon Total  Sept Total  Reg Sept Total  Reg Sept Total	16.03  BE OIL W  Span price 14.54 14.53 14.45 14.40 14.33  JUNG OIL Latest 43.30 43.20 43.20 43.25 44.65  OUL PE (  Soft price 130 50 129 50	E Share Day's change -0.02 +0.02 +0.05 +0.05 +0.05 +0.05 -0.41 -0.21 -0.11 Share +0.50 Share +0.50 +0.50 -0.41 -0.21 -0.11 Share +0.50 +1.05 +1.05	16.13 14.85 14.85 14.50 14.55 14.50 42.000 14.55 14.50 42.000 132.75 131.50	Low 14.46 14.41 14.38 14.40 14.37 42.50 44.40 12.87 5 130.00 12.8.75 130.00	1,871 124,846 101 13,361 13,361 10,42 951 10,42 952 952 952 10,63 40,64 16,517 13,929 2,628 1,067 49,947 149,947 149,947 149,947	19,10 608,24 Open att 74,23,17 9,96 15,771 of 68,7 Open int 133,76 74,48 Open int 27,16 27,4 34,7 34,7 34,7 34,7 34,7 34,7 34,7 3

LANE AND Official E/S rate: 1.5149 LANE Closing E/S rate: 1.5120	Aug Sep Total	43.95 44.65	-0.21 -0.11	43.95 44.65	43 65 44 40	2,628 1,067	9.08)
pot. 1.6119 3 mile: 1.6110 6 mile: 1.6114 9 mile: 1.6125	104					49,947	174,483
	EAS	COL PE	\$/tonine	<u> </u>			
MIGH GRADE COPPER (COMEX)		price		High	Low		
Sett Day's lines	Apr May	130 50	+0.50	132,75	130.00	7.267	27,162
price change kligh Low Vol int	Jos	129.50 129.00	+1.00	131 (U 130 70	128.75	6,750	34,592
kpr 61.40 −0.50 62.20 61,40 576 3.686	Jul	130.25	±1 50	131 50	130.00	200	9,952
62.10 -0.35 62.90 61.80 14.112 35.830	Aug	131 50	+1.50	131 75	131.25	155	7.202
RMD 572.407 –0.501 633.25 657.401 76 1.059	Sep	133.00	+1.25	133.25	133.00	57	7,472
- 9 00 00 00 00,70 (,013 9,096	i Dia						(55,389
otal 17,227 72,202	63.65 -0.40 64.45 63.65 296 5.090 MATURAL GAS PE (1,000 therms; pence per the						TI)
PRECIOUS METALS	Aper	9.350	-0.110	9.350	9 250	20	2910
ULCOODS MEINES	May	9,350 -	-0.060	9 350	9.350	25	2.335
LONDON BULLION MARKET	Total					1,620	
Prices supplied by N M Rothschild)	HAT	URAL GAS	NYME	(10,000	iangar	. Šímmž	(u)
ionici(Trov ez) S price £ equir SFr equiv Sose 1791 in month		Labet					Ones.
Nose 279.60-290.10 Denving 280.20-290.50		price	change	طولاا	Low	Yes	int
familia to	No.	1.950	-0.075	1,960	1.856	24,498	38.95£
Marting to: 230,050 173,191 261,119 Memoon for 273,600 173,362 260,093	Jun	1.985	11.065	1000	1 000	2 070	45.538
lay's Hagh 380.25-280.55	<b>Ju</b>	2JN5 -	+0.065	2.M5	1 937	2871	19 720
Nay's Love 279.30-279.50	~eg	2,030	-UJUSS	2,030	1,955	1,189	15,382
Tenfous clase 280 90-281.40	Sep	2.055 -	HO.055	2.055	1.960	484	15.468
Dee Life Mean Gold Lending Raise (Vs USS)	Oct Testad	2.085	0.045	2,090	2.030	2,151	14,246
100 mm	- 0444					105,7592	70,830
· 1900 Mars				_			
		EADED &					
Percentage primay out US cits equin		EX (42,00	n na da	75.; C/U	palks)		
001 316 397 411 600		Lafest					Com
Per Lending Rates		price				Vo(	Ínt
months 275 6 months 1.25	ypr	51.25	-0.45	51.99	50.75	18,585	15.511
months 225 12 marths 080 months 200	May	51.92	-0.41	52.65	51.40	TR 440	29 206
<b></b>	den	51.90	-0.38	52.50	51.50	7,455	22.38C
Z BILLEY		51.55	-0.34	51.95	51 <b>3</b> 0		18.008
Augerrand 281-285 174-176 ew Sovereign 65-69 40-42	Neg	50.80	-0.39	51.70	50.75	3.037	5.426
	-						
	Sep Total		-0.34	50.10	49.90		3,605

PULP AND PAPER ML PUTLIPEX ONLLX (USS, 24 air dry tons)

ma and nighter sorts

- 202.4 200.6 389 19.842 - 195.8 194.1 385 17.403 - 192.8 191.8 120 11.883 - 192.9 192.9 54 49.13 - 201.8 199.2 304 3.213 - 203.5 203.5 40 1.566 7,423 58,068 Nizy Aug Get Des Mar May Total 
 19.72
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 5.87 5.78 8.243 57.266 5.70 5.62 4.644 49.313 6.04 5.98 1.009 30,060 6.62 6.56 726 19,001 5.82 +0.08 5.63 +0.03 6.00 -6.56 +0.02 6.61 --0.2 139.0 134.8 5.849 39,734 +1.9 140.2 138.5 2,048 33,495 +0.7 161.5 137.5 562 10.804 +0.8 142.8 140.3 94 8,784 +0.3 143.3 140.3 57 4,784 +0.7 1464 143.0 963 13,967 273 13,967 -0.02 6.62 6.56 726 19,001 - 6.62 6.58 71 3,204 94 B,905 57 4,784 963 13,967 12,773 111,807 14,700 172,632 EL COTTON NYCE (50,000km; cards/lbs) \$9.70 +0.46 60.00 59.25 9.914 22,029 60.10 +0.51 60.20 59.65 2,663 14,982 59.10 - 59.15 59.00 31 1,814 59.15 +0.58 59.15 58,65 1,790 16,487 -0.50 89.05 88.25 F01 1,865 317 YOURSE DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CRI. NYCE, CAE, CSCR and FFE Crude Oil are one day in arrears. Volume & ■ Residenta (Blasse: 18/9/31 = 100) 1346.7 1404,7 192.41 191.17

SCSCI Spot (Base, 1978 = 100) 130.8

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FINANCIAL TIMES WEDNESDAY MARCH 31 1999

Crude oil

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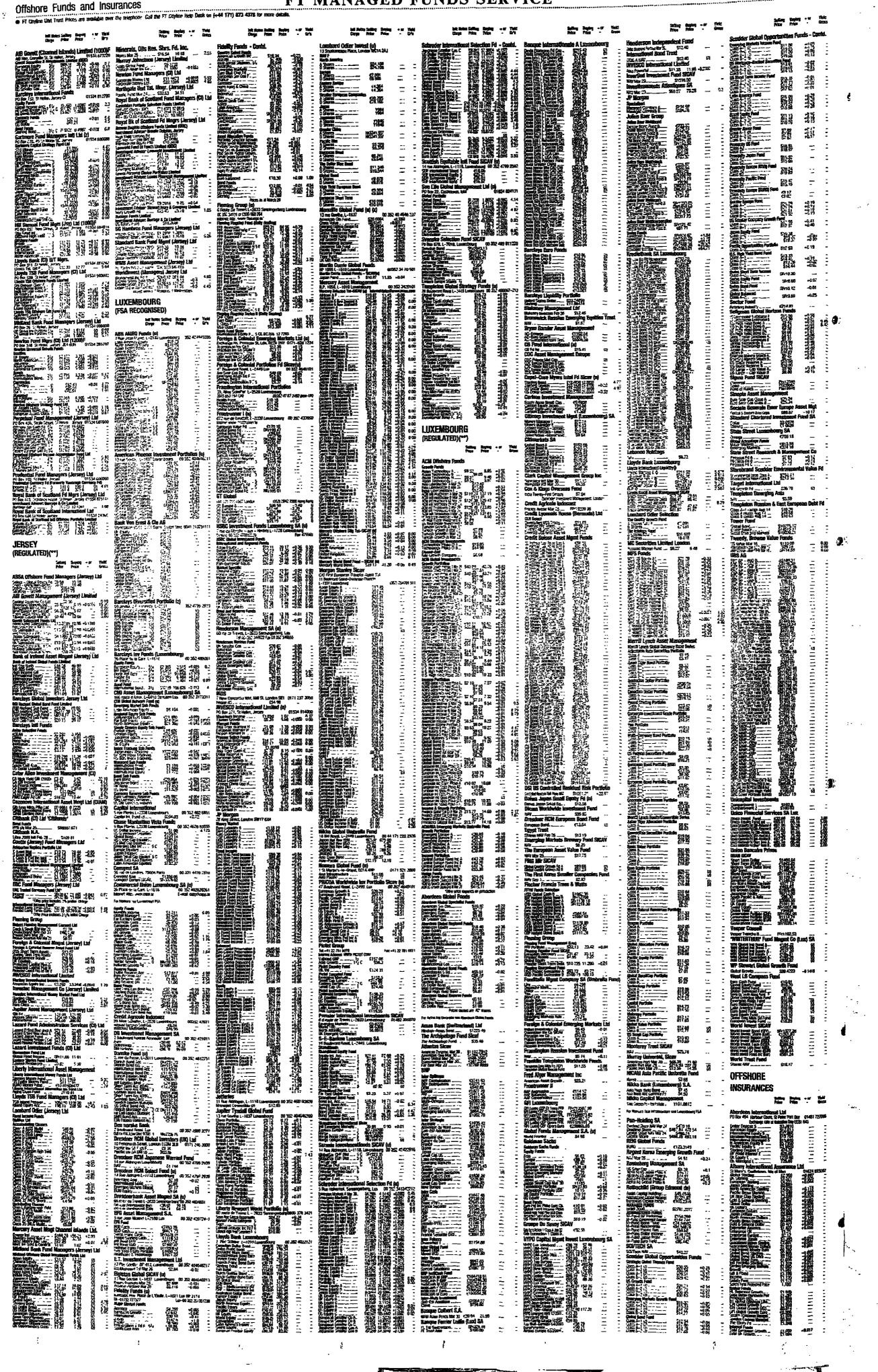
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FT MANAGED FUNDS SERVICE

Offshore Funds

**OFFSHORE AND OVERSEAS** GUERNSEY (REGULATED)(\*\* SEND **DRINKS DIRECT** and WATCH your STOCK RISE. 



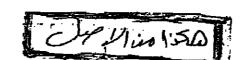
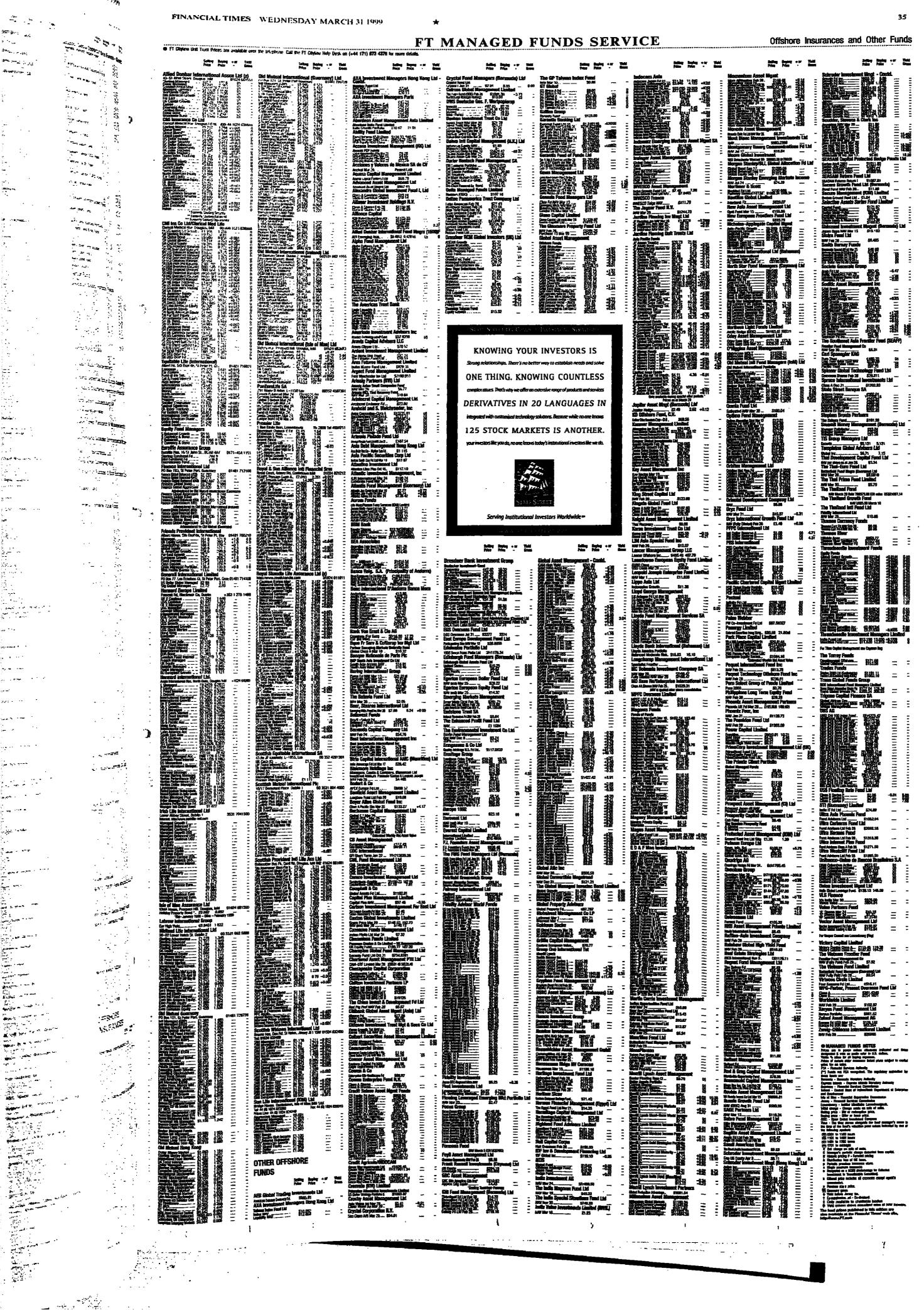
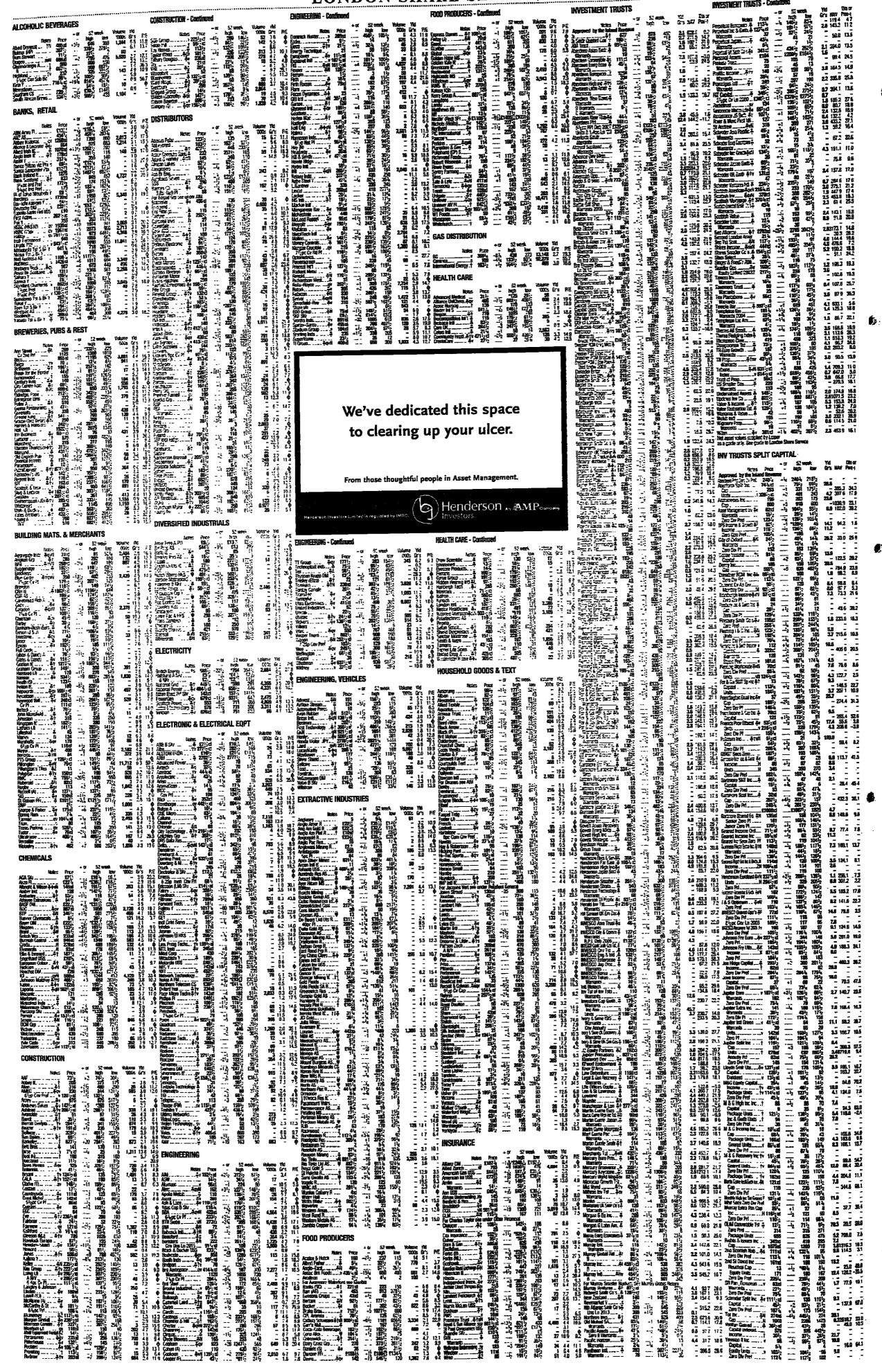


Fig. 19 Sept. Hall 1994

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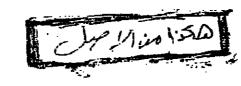
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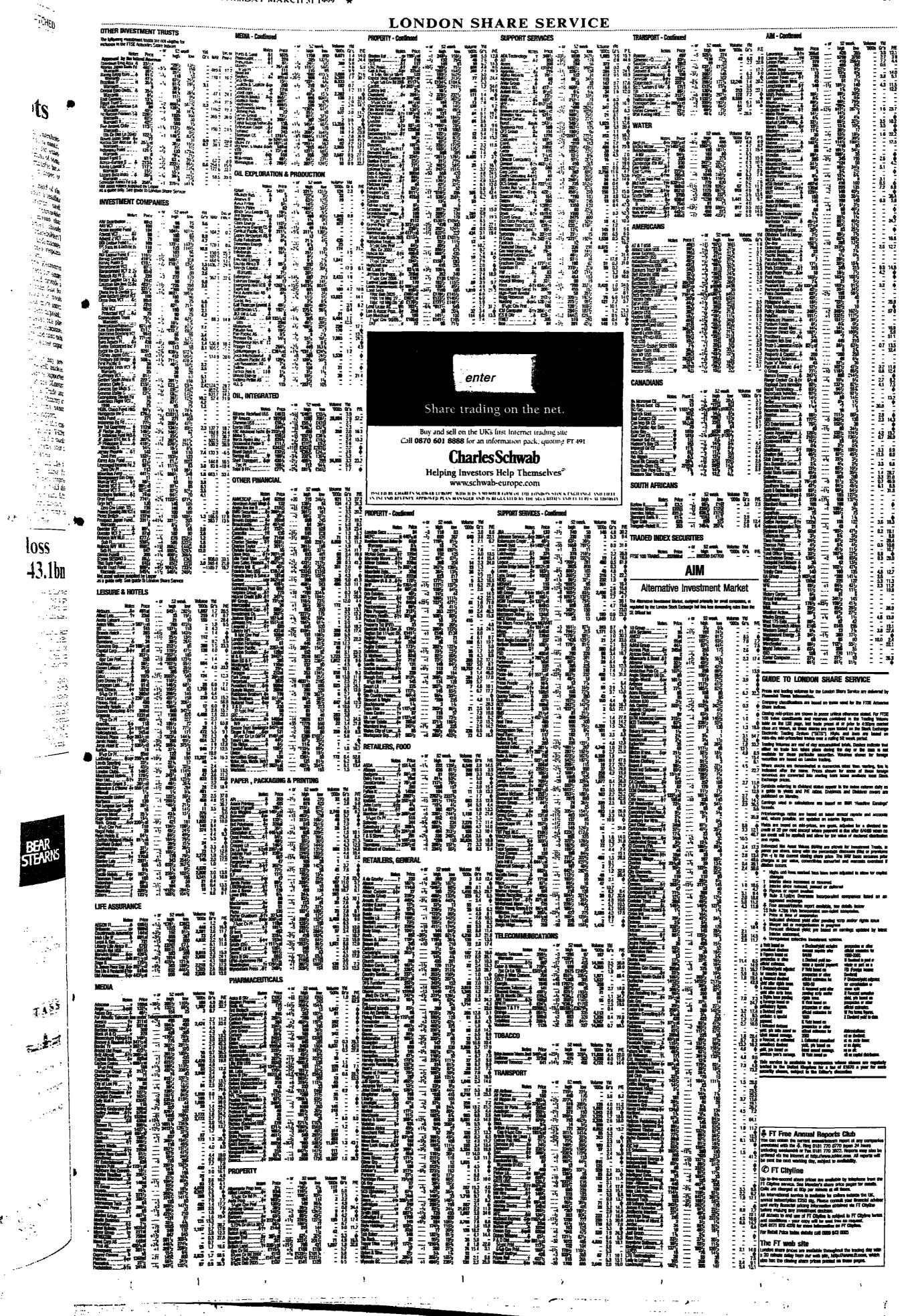
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# Dow decline overshadows unconvincing Footsie

MARKET REPORT By Steve Thompson. UK Stock Market Editor

The rush of merger and takeover-inspired buying of leading UK stocks looked to and smallcap stocks were outside North America. have run out of steam yesterday, with the FTSE 100 index only just managing to finish in positive territory in positive ground all day. after a choppy session.

Fontsie settled 1.2 higher at 6,264.1, having traded erratically and unconvincingly and with the prospect of a steep decline on Wall Street casting a shadow throughout the morning.

to run into pockets of profit-taking.

Unlike the leaders, the mid never really troubled by sellers. Both the FTSE 250 and FTSE SmallCap indices were although they closed well below their best levels. The 250 index ended 6.4

firmer at 5,475.8, having been up 13.3 at 5.482.7 at its best. The FTSE SmallCap closed 1.9 higher at 2.396.4. Disappointed dealers in

mid- afternoon, the index ingly after three strong sesposted a 25-points gain only sions stemmed from the warping issued by Coca-Cola that its first-quarter sales were down in all markets

> That warning came on Monday, after the Dow Jones Industrial Average had closed above 10,000 for the first time and ensured a poor opening to the US session yesterday. The Dow posted a three figure loss in early dealings before rallying to recoup more than 50 points of its fall.

There was also some ner-

the start and again in failure to run on convinc- ahead of the regular meeting of the US Federal Reserve's open market committee.

> insisted that London felt over the previous three days solid underneath and that - drugs, telecommunications substantial. "On balance attract buyers, particularly delivered better-thanwe've sold more stock than oils, which reflected the betwe've bought," said one dealer.

He added that the prospect of another reduction in UK levels of turnover and a interest rates after next sharp rise in Enterprise Oil week's meeting of the Bank as dealers picked up hints of England's monetary pol- that the prolonged takeover icy committee, should under- talks with Lasmo were about pin sentiment, as would the to be terminated. expectation that the last

Best and worst performing FTSE sectors

At its best, minutes after London said the market's vousness in global markets flurry of personal equity tured prominently as specuplan money would be pushed into the market. The sectors that fuelled

But marketmakers much of the market's upside ter feeling in crude markets.

Another feature of the sector was the extremely high

Pharmaceutical stocks fea-

Gas Distribution

Mar

Mirror Group gained 6 to

est UK internet provider.

The media group also

received shareholder

approval to sell its 18 per

cent stake in Scottish Media

as Dresdner Kleinwort Ben-

son published a note on the

stock in which it upgraded

offered great scope for cost-

Reuters rose 261; to 891p

price of 782p for the stock.

from 10 per cent.

mulate" to "neutral".

28% to 892p, after Merrill

Lynch downgraded its

be lower than that expected

BAT gained 23': to 540' 2p

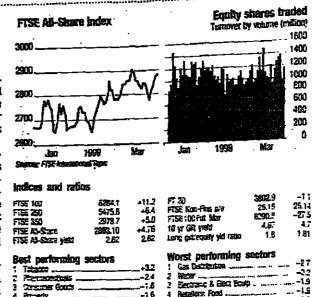
lators remained convinced that SmithKline Beecham would soon attract a partner as part of the industry's global restructuring.

Retailers enjoyed a buoyselling pressure was never and oils - continued to ant day after Selfridges expected results and a positive trading update. On the downside, there were profit warnings from Corporate Services and Oriental Restaurants.

> Turnover was a hefty 1.17bn, beefed up by a bought deal involving 41.2m Centrica shares carried out by Deutsche Bank.

Merrill downgraded its

profits for the year to the



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### Oil surge triggers break-up

**COMPANIES REPORT** By Peter John, Joel Kibazo and Martin Brice

Holidays are always a and Easter looks to be no exception for Lasmo and Enterprise Oil.

Analysis yesterday predicted that a break-up would be announced imminently. After the market closed, the predictions were confirmed and fickle analysts were already scouring for the next possible suitors.

Since the duo announced in mid-January they intended to get into bed. Lasmo and Enterprise have generated the sort of column inches Liam Gallagher and Patsy Kensit would be proud of, However, the relationship has been seen as potentially stormy and founded on far

less genuine affection. In fact, the basis of the match appeared to be the old-fashioned premise of being, as far as Lasmo was concerned, left on the shelf without a trust fund.

Analysts say that Lasmo is more confidently independent now the underlying oil price has jumped very quickly by almost 50 per cent to \$14.58.

As Barney Gray of Williams de Broe put it: "I think

gies to justify this merger."
Enterprise recovered 1444 to 3671, on relief that it old maid, while Lasmo limped off 13, to 1333 p.

made it the best performer shares jumped 45 to £10.16. In the rest of the sector, a

shortage of stock was cited in Energis which saw the shares harden 18 to £16.46. ued as the shares firmed 2 to

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**E** London market data

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there are insufficient syner- tion of 700p on the group and suggests Securicor's 40 per cent stake in mobile phones operator Cellnet is worth might not be taking on an between £3.3bn and £4.5bn. CSFB has joined the grow-

ing hand of those expecting Investors in Colt Telecom BT to buy Securicor's holding in the next few months in the FTSE 100 after the to gain full control of the mobile operator. BT shares closed 17 off at 997p after trade of 14m. Zeneca hit a new high as

the technical buying associ-The market's recent love ated with the pharmaceutitesting time for relationships affair with Securicor contin- cal company's impending merger with Astra of Sweden gathered pace.

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has a sum-of-the-parts valua- which need to mirror the

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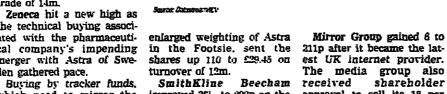
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improved 36 to 892p on the back of complex theories that Glaxo's talks with Bristol Myers Squibb. flushed out earlier in the week, meant the pharmaceuticals group was intending to make a move on SmithKline. its recommendation to "buy"

Jan

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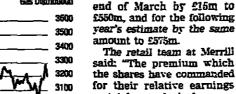
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Centrica, the gas distributor, dominated turnover as not changed its profit Deutsche Bank placed 41.2m forecast. shares on behalf on one clihad fallen below their level ent at 109p a share. The at the time of the Rothmans stock was sold to a number of institutions and the merger even though the deal shares fell 41, to 109p. cutting. It stressed a target

#### **National Grid gains**

National Grid was lifted as ABN Amro resterated its 73, to 4453p as Goldman "undervalued" stance on the Sachs upgraded its stance on news and financial informathe shares to "market outtion group. performer" from "market performer".

Emap, the magazine publishing and radio group, was the biggest faller in the FTSE 100. A briefing to media analysts caused downgrades to profit forecasts and target prices and the shares dropped 61 to £12,20.



the shares have commanded for their relative earnings certainly now looks less supported." Figures in line with expec

tations, with an upbeat statement on current trading, helped Selfridges resist the market trend. The shares improved 7 to 249p.

Credit Suisse First Boston was said to have had the buyers of Marks and Spencer. The shares appreciated 12% to 389 ap after trade

#### AEA weakens

AEA Technology fell to from "hold". The broker has levels not seen for 30 months, prompting some director share buying. Dresdner said the shares

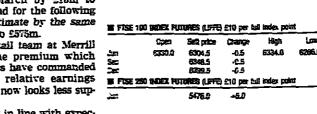
The engineering services and consultancy group issued a profits warning on Friday, citing cost-cutting in the oil industry. The stock was floated at 250p and touched a peak of £10.20 last

But in the past three trading days the shares have fallen from 617-ip, and yesterday fell a further 33% to

ABN believes operating margins at Reuters Informa-The fall leaves the stock underperforming the FTSE tion will rise to 15 per cent All-Share by 20 per cent from 10 per cent and overall earnings per share will grow since flotation, having at 12 per cent a year, up achieved an outperformance of 130 per cent between flota-Among retailers Boots lost tion and last July.

Sir Anthony Cleaver. chairman, paid 380p each for 10,000 shares vesterday.

long-term rating from "accu-Bid speculation continued The broker said it expect to drive food producer Devro ted earnings growth at the sharply ahead. Rumours of a 200n-a-share offer waiting to mnany for the period to December 1999 to be around be tabled continued to circu-3 per cent - a figure said to late, which helped the shares rise 19, or nearly 15.5 per by several leading retailers cent, to 142p. The advance made it the best performer



FUTURES AND OPTIONS

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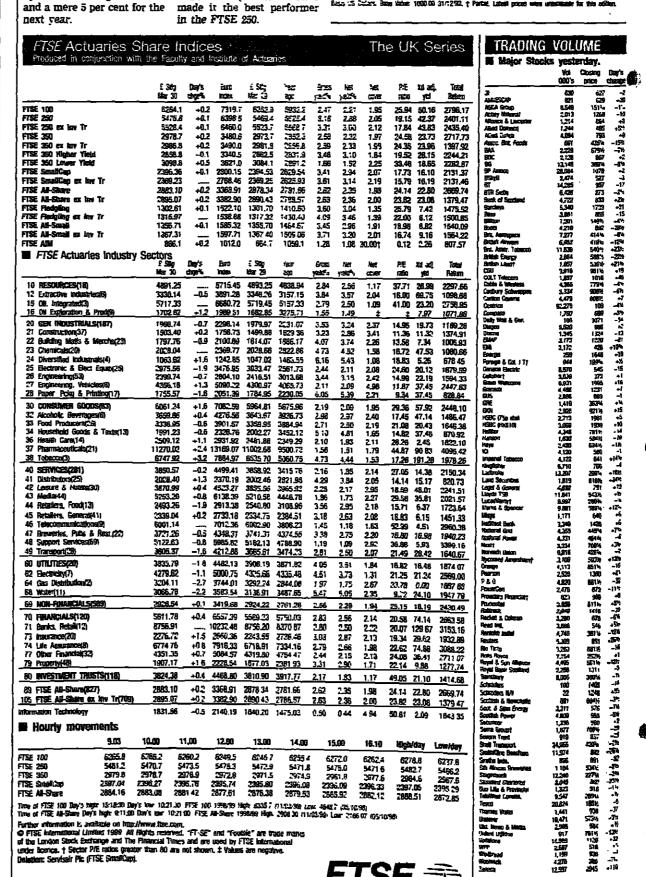
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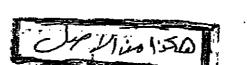


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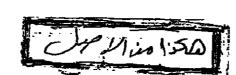
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FINANCIAL TIMES WEDNESDAY MARCH 31 1999 \*

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Smith Atrica LSE All Store 94229\$\tilde{9} 4591.0 \tilde{9} 6400.6 \tilde{8} 8381.79 \tilde{2} 29499 \\ \tilde{9} 55 \tilde{9} 640 \tilde{9} 6 4694.40 11/9/98 672.60 16/3/98 5246.90 11/9/98 404.93 405.17 404.46 475.83 255598 3176.08 3277.17† 3309.41 4399.01 10/398 6636.10 6652.8 6635.20 7822.30 224498 3544.08 3560.45† 3556.59 3865.81 25/598 32491 5/10/96 2500.10 31/8/98 5335.70 5/10/98 2718.24 5/10/98 TSE 1004 Metals Mints+ TSE300Comp+ | Impair | Mildel 225 | 15959.12 | 16008.84 | 16716.99 | 17284.30 22/08 | 12868.00 BYND | 16008.00 BYND | 1600 South Koren. KorenCompEr<sup>a</sup> 818.05 601.07 600.79 640.95 11/1/99 290.09 16-640. Boardy higher as Wall Street gainst inspired local demand. 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Home Zeptoned Cap. 40 2126.06 2117.48 2123.16 zonomic of two developed for Tolerano Med the lader, Lion Mathen also gained other holding a per consequence of the lader of the 9/3/98 1868.24 2/10/98 5.26 21.2 Berkatin is Australia on Monday. 2126.06 2117.48 2123.16 2350.02 20/3/98 Finland Hex General 6575.30 6466.01 6392.90 6623.30 3003/99 2220.43 12/1/98 1.57 25.1 (c) 4554.07 4554.07 28/3/99 1852.28 8/10/96 2.69 19.6 985 250 2627.11 2632.05 2609.82 2799.73 1777.88 CAC 40 4141.98 4153.65 4115.71 4388.48 1777/58 owly and ended lower. Renaul tell 4.9 per cent. 219 213 3676.50 3885.48 3832.24 7886.92 23/3/98 1851.02 1860.39 1825.45 2370.68 45.98 1359.76 8/10/98 2.11 12.3 Normay Osto SE ted 1851.02 1860.39 18 Ended modestly higher in spile of meatiness among bank stores. 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Reversed recent knew-lad losses with modest gains. FTSE E300 FTSE E100 HSBC Drys ING Brigs Burg Hong Kong Hang Seng 10940.21 10688.47 10803.31 11810.60 257398 8688.42 13898 HSOC Red Chip 788.25 786.56 819.14 1776.09 277298 578.07 1998 Properties jumped 4 per cent unspired by lasen demand for apportments at Cheung Rong Fieldings Laguan Verde project. 8668.42 13/8/96 3.19 16.2 Poinced Wig 14192.1 14054.8 14202.1 16582.78 11/3/98 Branded lower with lasers beauting galaxers 44 to 13 10473.70 9/10/98 5318.66 5383.29 5326.76 9016.36 23/4/98 3775.02 21/9/98

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# **STOCK MARKETS**

# Dow landmark fails to spark celebration

WORLD OVERVIEW

The Dow Jones Industrial Average may have finally closed above 10,000 on Monday but investors were in no parts of the world. mood for celebration yesterday, writes Philip Coggon.

European bourses lost their

While Monday had been The weak data followed a dominated by merger news, yesterday brought some timely reminders of economic weakness in various

Japan saw its unemployment rate jump to 4.6 per Although Korea and Hong cent, above that of the US. Kong kept the momentum while separate data showed going in Asian trading, that Japanese consumers early gains and the Dow their disposable income quickly slipped back below the lowest propensity to conbe compiled in that form. 2.6 to 2.3 per cent.

surprise drop in industrial production, announced on Monday, and rekindled doubts as to whether the Japanese economy has really turned the corner.

Meanwhile, the European Commission cut its forecast for gross domestic product growth in the euro-zone spent just 67.8 per cent of from 2.6 to 2.2 per cent. slashing its German forecast from 2.2 to 1.7 per cent. The 10.000 once Wall Street sume since figures started to forecast for France fell from

off 26.01 at 4.841.20.

at BMW with the company

seemingly reopening the war

ernment over aid for the

troubled UK car plant by

suggesting that negotiations

were running out of time.

The stock came off €18.30 to

a broker upgrade plus the

overnight news that bid

talks with Alusuisse Lonza

The FTSE Eurotop 300 index fell

6.06 or 0.48 per cent to

1,250.71. See Euro Prices page.

had been abandoned. Later

on the suggestion that nego-

the shares fell back to

€513.50, up €2.50 on the day.

Viag from "reduce" to "neu-

tral" and also took a long

hard look at Metallgesell-

schaft which improved 80

cents to €17.30 after the bro-

ker upgraded from "neutral"

Hugo Boss fell €30 to

€1,250 after a trading state-

ment from the fashion group

outlined new production

PARIS ended a lacklustre

as worries over the escalat-

ing crisis in Kosovo and a

subdued economic growth

outlook added to the negative sentiment. The CAC-40

Renault, which had rallied

sharply in anticipation of its

assume full management

restructuring process,

according to analysts. The

apparent language barrier

Japanese venture.

to "buy".

start-up costs.

Merrill Lynch upgraded

Viag shot ahead to €528 on

forecasts had already been revised down, "In the last two weeks, we have seen weak business surveys out of Germany and France," the strategy team at Credit Suisse First Boston said.

"This, to be fair, contrasts markedly with buoyant it is questionable how sustainable the consumer's optimism will be without view of investors had some strengthening in

focus on the pressure this will put on the European Central Bank to cut rates next month. We continue to look for 50 basis points off rates in the months ahead."

Adding to the economic consumer surveys. However, situation in Kosovo was finally starting to affect the equity markets. The initial seemed to be that air strikes

Private sector economic They added: "Rather than but the longer the conflict get too gloomy, we would continues, the greater their worries are likely to become. European markets ended with modest losses, with Frankfurt shedding 0.5 per

cent and Zurich 0.9 per cent. In the US, the market lost impetus in the face of a profconcerns were signs that the its warning from Coca-Cola. one of the leading consumer dropped 100 points in early trading as investors awaited would quickly be effective. Reserve on interest rates.

Telecom Italia closed 2.4

per cent higher at €9.90 after

opening above €10 following

Olivetti's decision to raise its

bid to €11.50 per Telecom share. Just before the close

Olivetti said it had bought

24.4m Telecom ordinary

shares, equivalent to 0.5 per

cent of capital at a price of

Dealers said they expected

Telecom to continue trading

€9.7326 per share.

cent at €6.15.

ahead of 1998 results.

the Fiat group, were suspended for the whole ses-

sion. After the close Fiat

said it was offering €3.25 per

it does not already own.

Fiat also said it was offer-

and savings shares in Toro.

Written and edited by Michael

Morgan, Jeffrey Brown, Florian

Gimbel and Peter Hall

on Monday.

from many companies. Finding the money for the three issues - from New Zealand Telecom, Sky City and Contact Energy, and which account for 7 per cent of the total value of the Wellington market - are dominating investor thinking. This has led to selective selling of

> many other leading shares. As a result, the benchmark 40 capital index has been trading in a narrow band between 2.103 and 2,235 all year, hardening 8 points

Some of the downside pressure may ease soon with the final payment of Telecom's NZ\$1.8m issue of instalment receipts due this week, but the two bigger offers remain outstanding.

at a discount to the bid price because of continuing uncertainty over the prospects for a deal, or Olivetti raising its offer to €12 a share. Olivetti edged up 0.3 per cent to €2.90 while Tim gave up 0.3 per attracted intense interest. INA closed 1.8 per cent Brierley shareholders, who

group Comau, both units of severely pruned.

Sky City receipts, listed on Monday, offer an initial return of a 19 per cent. They traded at up to NZ30 cents above the NZSI issue price.

share for the 34 per cent minority holding in Comau The disposal reduces Brierley Investments' debt by a further NZ\$476m. This Comau shares closed at €2.82 coupled with speculation of an imminent debt restructing €9 for all the preference uring, a tie-up between its subsidiary Air New Zealand and Singapore Airlines, and an improving share price for UK offshoot Thistle Hotels. saw Brierley gain 2 cents to

Wellington rise The hunt to find the money New Zealand for three sought-after issues - which together will absorb about NZS3.5bn - has stalled the New Zealand stock market, diverting attention from

New issues stall

a rapidly improving economy and better earnings

yesterday to 2,126.

Financially troubled Brierley Investments' decision to sell its 66 per cent stake in profitable Auckland casino Sky City, also through instalment receipts. bas

higher at €2.726 and Generhave seen the value of their shares fall more than 70 per ali ended up 0.2 per cent cent over the past year. jumped at the preferential Fiat put on 0.8 per cent to entitlements offered in Sky €2.93 after speculation that the carmaker could sell its City receipts, although many auto division. Shares in ended up disappointed when insurer Toro and robotics their applications were

NZ47 cents yesterday, its highest price this year. Interest is also intense for the third issue, the flotation of state-owned generator Contact Energy - even though nobody yet knows the likely price, dividend yield or little else about it.

Over 250,000 people have registered interest in huying shares ahead of the prospectus release next month. Enthusiasm was fuelled by the announcement last week that US company Edison pectedly high NZ\$1.2bn to be the so-called 40 per cent

cornerstone shareholder". Although this drain on the market appears to have ensured most other leaders have been dull recently. there have been notable exceptions in the retailing and utilities sectors where marked improvements in

earnings have been reported. This in part matches surveys showing strong rises in business and consumer confidence following slightly easier monetary policy settings by the central bank.

Latest data show economic growth running at about 3.3 per cent and inflation negligible. Opinion polls also suggest growing confidence in the re-election prospects of the business-oriented National government amid talk of tax cuts.

Operating

+ 11.4%

Net income

+ 27.9%

Terry Hall

MONAL SOC

# **High-techs** lead rebound after early fall

AMERICAS

Sellers stepped in to drive Wall Street lower in morning trade a day after the Dow Jones Industrial Average closed above the 10,000 level for the first time, writes John Labate in New York.

The benchmark index lost more than 100 points in the opening minutes of trade before picking up from its lowest levels. At midday the Dow had lost 46.07 at 9.960.71. The Standard & Poor's 500 index was down 2.80 at 1.307.37.

The rebound at midday was led by high-tech stocks. which sent the Nasdaq composite index into positive territory by late morning. At midday, the Nasdaq had gained 8.60 at 2,501.44.

Bonds gained ground while stocks were sold off as with weakness within the the Federal Reserve Board's open market committee met tors overriding solid gains to decide interest rate policy. Although many econo-

mists expect no action by the Fed in the near term. economic reports are 5.5 per cent, while golds increasingly important as giant Barrick shed 5 cents to more analysts express worries about the surprising strength in US economic indicators in recent weeks.

Friday's monthly employment report is considered to send the 300 composite the key to signs of wage index 8.97 lower at 6.643.80 at rises in what continues to be a tight labour market. In benchmark 30-year bond had gained % to 94≌, sending the vield lower to 5.616 per cent.

Coca-Cola shares weighed than 6 per cent or \$4% at day about its volume levels. profit outlook for Coca-Cola, further damping sentiment.

ogy were down \$11 at \$1081 after the telecommunications group announced its acquisition of an Israel-based

start-up company. America Online, up \$131/2 or more than 10 per cent at \$145%, was the most actively traded issue on the NYSE at midday as the company revealed details of its product alliance with Sun Micro-

shares Amazon.com gained \$813 at \$1584 as the online bookseller launched its newest addition, an inter-

net auction business. Online brokerage firms were mixed, with National Discount Brokers down \$3 to \$33 after reporting its quarterly results.

TORONTO tracked Wall Street lower in early trading metals and commodity secfor banking stocks.

Among leading commodity shares, nickel miner Inco fell C\$1.20 to C\$20.10, a decline of C\$25,60.

Coupled with the early shakeout for US equities, the selling in these areas was enough of a downside push

Telecoms leader BCE lost early trading yesterday the 30 cents at C\$69.20 while closed down 11.67 at 4.141.98. CTV, hit by a share issue to helo finance a takeover, lost 80 cents at C\$19.50. Online auctioneer Bid.Com Internaon the Dow, losing more tional fell 85 cents to \$14.75. Banks in contrast stood \$62 after the beverage firm. Royal Bank of Canada group warned late on Mon- gained C\$1.55 to C\$71.40 and Toronto-Dominion added Lehman Brothers cut its C\$1.20 at C\$69.70. Canadian Imperial hardened 40 cents

#### Frankfurt prepares for Easter Strare crices (rebased) Equities traded narrowly in FRANKFURT in dull vol-

umes with investors unwill-ing to take fresh positions ahead of the Easter break. The Xetra Dax index ended or words with the UK gov-

Jan

was also considered a potenlower. Novartis lost SFr32 to SFr2.353 while Roche certificates fell SFr125 at SFr17.820

> as the group reiterated at its annual media conference it

expected good 1999 results.

Algroup fell SFr28 to

SFr1,632 with the market

unsure how to judge the fail-

ure of its merger plans with

Germany's Viag. However.

Ems Chemie shot up SFr205

to SFr7,260 and Ciba edged

SFr114.25 on market specula-

tion that Algroup might look

to those companies for some

form of joint venture. Nestlé

MILAN was lower as early

interest in Telecom Italia

faded and many investors

turned their attention to

companies about to report

The Mibtel index finished

58 lower at 24,715 with a

growing number of investors

reluctant to become involved

1996 results.

gave up SFr45 to SFr2,645.

centimes higher to

Drinks companies put in a solid performance, with Remy Cointreau closing up €1.10 at €14.90 on news of a joint distribution venture with Highland Distillers and Jim Beam Brands. Pernod Ricard jumped €3 to €59 on hopes the sale of its Orangina unit to Coca-Cola would win regulatory approval.

tial stumbling block.

Banking stocks bounced on speculation over the outcome of the restructuring battle. Société Générale. which gained €5.90 to €173. was expected to raise the stakes for Paribas, which finished €2.20 higher at €103.20. BNP rose €1.15 to €78.65 after its bid for SocGen/Paribas had cleared the last regulatory hurdle.

AMSTERDAM ended little changed in moderate volumes. Options activity was session in negative territory also limited and the AEX index finished at 534.40. down 0.16. ING added 80 cents at

€51.20 ahead of today's results statement and elsewhere among financials Fortis was also firm, improving 90 cents to €35.50. The profit-takers picked

up some recent oil-price cents to €49.25.

registering early gains and control over Nissan could the downward pressure grew jeopardise the necessary as Wall Street opened lower. The SMI index finished 62.2 lower at 7,024.1. Pharmaceuticals were

#### tie-up with Nissan, dropped out Royal Dutch which gave €1.70 or 4.9 per cent to €33.30 as investors became increasingly wary of the Francodriven gains. dipping 75 ZURICH retreated after Renault's failure to

The Board of Directors of Saint-Gobain met on March 25th, 1999 and approved the consolidated financial statements of the Group for 1998. The final key consolidated figures of the

**SALES: + 9.2%** 

Group sales, at 116,901 million French Francs (17,821 million €), are up by 9,2% compared to 1997 (107,078 million French Francs or 16,324 million €). Sales are split: France 37.7%, other European countries 29.7%, America and Asia 32.6%.

(1.775 million €), It accounts for 10% of sales, compared to 9.8% in 1997. Net income amounts to 7,196 million French Francs (1,0°7 million €), an increase of 27.9% compared to 1997, it includes capital gains from the unwinding of financial

ANNUAL GENERAL MEETING JUNE 24™,1999

24".1999, at 3 p.m. in Palais des Congrès. Porte Maillot in Pans, to distribute dividends of 3.20 € (20.9° French Francs), an increase of 13.5% compared to last year. A tax credit of 1.60 € (10.5 French Francs) per share should be added. giving a total of 4.80 € (31.49 French France) per share. The dividend will be paid fully in cash from June 28 , 1999, on.

Director of Mr Eric d'Hautofeuille, President & Chief Operating Officer, and the renewal of the mandates of Dr Rolf-E. Breuer, Mr Pierre Faurre, Mr Michel Pebereau and 14r Bruno Roger.

**OUTLOOK:** 

Les Modes - F-520% La Differe redex Chance Homore FFF 182 (1) 47 62 45 14 - Lines 35 1/1 (0) 47 1/2 37 30 4 Face (1) 47 1/2 30 30 internet implimitation of Emilian convergence of the convergence of th

#### **Buenos Aires cautious** ahead of Fed decision

BUENOS AIRES opened firm another 0.16 pesos higher at in cautious trade as inves- 4.78 pesos. tors paused after Monday's climb to watch US markets midsession, held back by and their reaction to a US profit-taking after Monday's Federal Reserve meeting.

The Merval index was 5.02 higher by midsession at 420.53, adding to Monday's likely to remain subdued 2.1 per cent rise, which was led mostly by a 5.6 per cent Easter holiday. surge in market benchmark Perez Compane on speculation that it was up for sale. early trade edging 0.02 pesos By midsession the share was at 3.19 pesos.

MEXICO CITY was flat at gains. The IPC index was just 0.38 ahead at 4,845.81.

Traders said the bolsa was with investors absent for the Financial group Bancomer

was the most active issue in

**SOUTH AFRICA** 33.0 or 1.2 per cent higher at

the latest economic data.

2.873.6

R1.60 as the global outlook for metals improved, while Anglo gave up R16.40 to R211 as the market mulled its move to buy out minority shareholders in Amgold and Anamint and de-list the companies. Amgold soared R66.60 to R295 while Anamint was R18.20 higher

The overall index finished 16.1 weaker at 6,422.9 with industrials losing 19.5 to 7,520.4. The recently re- at R128.

#### Jo'burg down but off its lows jigged gold index finished

Late bouts of bargainhunting helped Johannesburg to close off its lows although analysts said the market's fundamentals were still positive, with the outlook for a cut in interest rates further bolstered by

Iscor jumped 10 cents to

# Data send Tokyo below 16,000

**ASIA PACIFIC** Dismal economic data.

including Japan's worst-ever unemployment figures, sent TOKYO below 16,000 despite an early rally following developments on Wall Street writes Naoko Nakamae. Shares fell as the weak- cars over the internet.

ness of the economy was highlighted for the second day in a row. Unemployment rose to a record 4.6 per cent, after Monday's announceindustrial production The Nikkei 225 Average per cent or Y1 to Y636. fell 149.72 or 0.94 per cent to

15.859.12 after trading between 16,184.54 and 16,919.56. 15,805.69. Other indices were little changed: the weighted Nikkei 300 index lost 0.19 or 0.07 per cent to 254.49, and the Topix index rose 0.57 or 0.04 per cent to 1,269.24. Volume was a modest 464m shares, with 760 declining issues and 452 rising. The weakening yen

shares. Fujitsu, the most

day, surged 6.57 per cent or

also up 1.36 per cent or Y11 to Y821 and Sharp rose 2.33 per cent or Y28 to Y1.237. Computer software provider, Softbank, continued to climb, rising 6.09 per cent to Y780 to Y13,580. Last week it

and Yahoo Japan selling But the securities sector continued to fare badly, falling 1.41 per cent. Nomura Securities dropped 1.57 per cent or Y20 to Y1,250, while ment of poor retail sales and Nikko Securities fell 4.36 per cent or Y25 to Y549. But Daiwa Securities was up 0.16

said it would join Microsoft

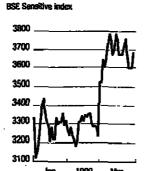
In Osaka, the OSE index was up, gaining 97.96 to SEOUL shot up 2.8 per cent as domestic investors

Street's overnight surge. The composite index rose 16.98 to Following days of arbitrage selling, domestic institutional investors moved back into blue chips in a bid boosted export related to raise the value of their

were encouraged by Wall

heavily traded stock of the Vear-end on March 31 Korea Electric rose Y122 to Y1,978, while Hitachi Won1,350 or 4.7 per cent to gained 2.51 per cent or Y21 Won30,350, while Samsung to Y859. Rival Toshiba was Electronics gained Won2.500 sentiment towards local

holdings ahead of the fiscal



to Won95,000. SK Telecom hit an all-time closing high, up Won23,000 at Won830,000. **HONG KONG climbed 2.4** per cent as strong futuresled buying followed early

gains sparked by Wall Street. The Hang Seng index closed up 251.74 at 10,940.21 as the expiry of March Hang Seng index futures helped to push the cash market higher. Turnover shot up to

HK\$7.1bn from HK\$3.7bn on Monday. The market paused briefly after Tokyo closed lower but the Dow's rally and positive ended 20.58 higher at

by encouraging apartment sales, proved pervasive. Cheung Kong gained

HK\$3.75 or 4.9 per cent to HK\$58.75. Its affiliate, Hutchison Whampoa, rose HK\$3 or 5.1 per cent to close at HK\$61.50 amid speculation that the two would announce an acquisition or investment.

BOMBAY was another 2.4 per cent winner as investors picked up index-based issues that went into a no-delivery period ahead of compulsory dematerialised trading from next week. The BSE-30 index rose 85.91 to 3,683,49.

The market regulator has stipulated that from April 5, 64 shares will be traded in demat form, with the shares held in a central depository and share transfers notified electronically. The no-

renewed their enthusiasm for property shares. Demand for sector leaders sent the property index up 4.8 per cent to a 12 month high.

delivery period allows more time to square deals. SINGAPORE moved higher as the buyers

The Straits Times index



#### 1998 NET INCOME OF 7.2 BILLION FRENCH FRANCS OR 1.1 BILLION € (+27.9%)

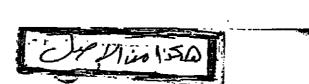
Group confirm the estimates published in January.

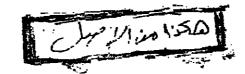
Operating income is up 11.4% and amounts to 11.547 million French Francs

The Board of Directors will propose to the Annual General Meeting in June

The Annual General Meeting will also be asked to approve the nomination, as a

The situation of the Group during the first two months of 1999 is satisfactory, notably due to good markets in North America. As a result, the Group maintains its 15% growth target in net earnings per share, excluding capital gains and after the 5% reduction of the share capital, which will be proposed to the next Annual General Meeting.





WEDNESDAY MARCH 31 1999

en issues sta

# Recovering from past mistakes

Tanzania is undergoing a transformation but the process is not without pain, say Mark Turner and Michael Holman

Once the standard-bearer of frightened off investors, African socialism, today an advocate of market driven reform. Tanzama is undergo- ant families into villages ing a transformation.

The one-party system and state-controlled economy under founding president Julius Nyerere has given way to pluralism and donorbacked reforms of president Benjamin Mkapa, and the results are remarkable.

The mining sector is booming, tourism is growing, sold-off state companies are thriving, and the government's economic discipline has won the praise of the

But recovering from past mistakes while keeping to the IMF's tough terms is a painful process for one of the world's poorest countries.

Despite relief on its exterremain crippling. Erratic cal industrial investment," weather conditions saw floods last year, and shortage this year.

Management is weak, the civil service is inefficient: phone lines are bad, roads are poor, illiteracy is increasing, health care is declining. Corruption is widespread. and implementation of priva-

tisation is behind schedule. Above all, Tanzania still

compulsory and hadly planned regrouping of peaswhich hit agricultural output, and state projects which sapped the budget.

Ironically, many of the donors who now monitor Tanzania's progress have a shared responsibility for those costly failures, funded by loans for which the country's population is now paying a high price.

The World Bank, Tanzania's biggest donor, belatedly acknowledged this responsibility in a 1990 internal report appraising the Nyerere era. "Tanzania's unprece-

dented access to concessionary flows of external capital has allowed it ... to maintain a high rate of largely nal debt, service payments ill-conceived and uneconomiwrote the authors.

"The Bank's continuous exhortation of the donor community to provide assistance...has sustained a constant inflow of official aid that helped maintain irrational domestic policies," was one of the devastating conclusions. The past has caught up.

and donors are once again playing a dominant role, this time insisting that Tanzania of the failed policies of the maintain a level of debt servicing which Daniel Yona, years: nationalisation which the country's finance minis-

Based on English common Law, the 1977 Union and 1985 Zarziban constitutions National Assembly, comprising 269 members (232 directly elected and 37 chosen by Umon-wate adult suffrage overy five years: Zanabar has as own presentatives of 59 me edistates on infernal matters Reputerc of CONGO October-November 1995 (legislative and presidential), next elections due in 2000. Head of state elected by universal adult suffrage every five years Prime minister
 Frederick Sumaya National government
 The president, vice-president and CAMBIA Council of Ministers: last cabinet

ter, argues it cannot offord. realised in a country rich in "During the first and secnatural resources. While growth this fiscal ond phase governments (the

Nyerere and Ali Hassan year is expected to reach only 3.3 per cent - below Mwinyi eras), we were putearlier predictions of 4 per ting money into services and never paid our debt. Now we cent - it is forecast to rise to are paying our debt and not above 5 per cent in the folputting in money any more." lowing two years. Inflation is Annual repayments of down to below 10 per cent. \$270m on its \$7.4bn medium from almost 27 per cent in

and long-term debt (94 per cent of GDP last year) are taking a heavy toll. The govemment spends four times as much per capita on debt servicing as it does on primary education. More than 2m children are not in school, and the numbers are rising, as pressure from donors and the IMF forces the introduction of fees which are beyond the reach of many Tanzanians, whose average per capita income is less than a dollar a day.

Yet, for all these concerns, and potential slowly being southern island of Songo

A gold-rush around Lake Victoria is set to boost foreign exchange earnings by 50 per cent once full-scale production begins. Tourist arrivals are increasing, and investment in the sector is growing. Agriculture, despite continued difficulties in many traditional crops, is showing signs of revival.

Several infrastructure proiects are also on the way - a \$250m hydropower facility at Kihansi, a pipeline from Dares-Salaam to Mwanza, and there is still a sense of after years of stalling - a big opportunities being grasped gas project from the

Songo is close to being cal commentator in the unirevived.

Tanzania's geographical location is also proving a boon. South Africa in particular is courting the country as a gateway to East Africa and the Great Lakes region, building on Tanzania's membership of the Southern African Development Community. Trans African Railways has helped secure a rail and ferry route all the way from Johannesburg to Kampala,

Uganda. The country will also be a founding member of the revamped East African Community this summer, committing itself to tariff reducterm, monetary union.

But what the country have no hope. lacks, say local analysts. is a political vision which will convince its population that the pain of current reforms will be repaid by future prosperity. Haroub Othman, a politi-

versity of Dar-es-Salaam, is concerned that social tensions are not being properly addressed. He paints a wor-

MOZAMBIQUE

rying picture of growing strains between Islamic and Christian communities, resentment of what is seen as domination of the economy by foreigners (who in the eyes of some include Tanzanian Asians) and rising wealth disparities. Industrial unrest is

increasing as state enterprises restructure. "We need a new vision," says Professor Othman. "It is one thing to be poor, but to know that administration cares. tions and, in the longer But if the administration doesn't show concern, people

So far, multi-party politics have not engendered the debate that opposition figures would have hoped for. Elections are next year but there is no obvious alterna-

Cha Mapinduzi (CCM) party and Mr Mkapa, as opposition

Area: 683,749 sq km

Total GDP (Stri)

GDP our head (S)

Languages: Kiswahili, Endisi

1998 average \$1=T\$h637.69 March 23 1999 S7=TSn691.00

Real GDP growth (annual % change)

industrial production (annual % chance

Money supply, M2 (annual % change)

Foreign exchange reserves (Sm)

Total foreign debt (% of GDP)

**EXPORTS** 

ee: Tagranian shiffing (TSh)

among themselves. The country's constitution, which has changed dent Salmin Amour won little since 1977, is still essentially geared towards a tions of vote-rigging, the one-party state. Although a island has been plagued by review process has been put arguments between the CCM into place, which has and the opposition Civic involved a large number of United Front. individuals active in civil societ, critics are demanding a national convention to

tionship with the islands of munity. Zanzibar and Pemba. At

three-tier government (union, island and mainland) parties continue to fight and considerably more autonomy. Ever since the 1995 elections, when Presiamid wide-spread accusa-

S Africa

Population: 33.3m (1999 &

1992

676

-778

1.360.000

223,000 187,200

Make towns & pope

At the heart of many of Tanzania's problems, howtackle some fundamental future, is the struggle for the resources to fund recovery The most sensitive of while meeting the terms of these is the mainland's rela- the all-powerful donor com-

Mr Yona sums up his present. Tanzania has a two-country's predicament. tier government, one dealing "Everyone - the World Bank with the mainland and the and donors - says we are Union, and another dealing doing very well in macrowith domestic Zanzibari economics," says the finance affairs. The CCM in both minister. "But how can I governments have made it explain this to my father or clear that they want things my brother? Who eats tive, on the mainland at to stay as they are, but there macro-economic figures?"



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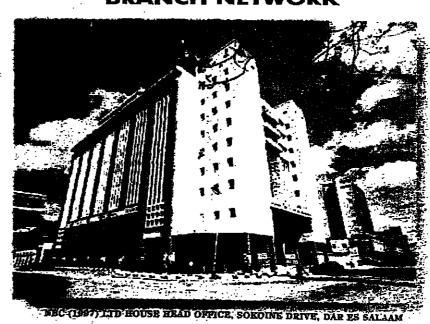
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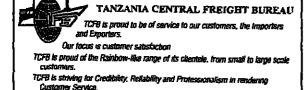




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Financial Times Surveys

# East Africa **Co-operation**

Wednesday October 20

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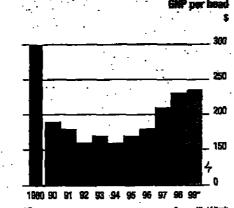


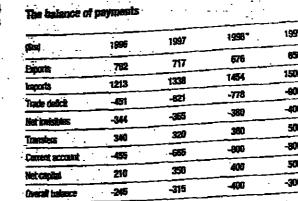
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#### TANZANIA 2





**ECONOMY** by Tony Hawkins

# A lion not yet ready to roar

foreign debt and emascu-

The balance of payments is in very poor shape, hugely dependent on aid and debit relief

When a recent investor describes Tanzania as "the rising star in Africa", it is time to sit up and take

Had such a comment come from a donor agency, World Bank official, or emerging markets "analyst", it could be shrugged off as a self-serving assessment by people seeking a success

But, when it comes from a hardheaded private investor who has put more than \$70m into a recently privatised business that is more than meeting its financial targets, t carries far greater weight. The company, Tanzania Cigarette, was privatised just over three years ago when US multinational R J Reynolds Tobacco International bought a 51 per cent stake.

Nor is its assessment unique. Emka Emuwa, of Citibank Tanzania, is also bullish, while Danie Niemands, chief executive of trolled by South African Breweries, says the company's market capitalisation has quadrupled from \$50m five years ago to more than

There are other upbeat indicators, too. Tanzania now ranks ahead of Ghana in attracting foreign exploration funds in non-ferrous metals in sub-Saharan Africa, accounting for more than 14 per cent of the total. Non-traditional exports, which will increasingly be

driven by mining, now exceed traditional exports of coffee cashews, cotton, tea and tobacco. Despite this, no one is sug-

esting that Tanzania's slow recovery from its unhappy experience as a command economy for a quarter of a century constitutes any kind of economic miracle. "To be classified as such is

the kiss of death," says a young Tanzanian entrepreneur, adding ruefully: "Look at Uganda.

Ironically, too, the smaller the business the greater the complaints about bureaucracy. Disincentives appear to be negatively correlated with firm size, so those small-scale firms are a good deal less enthusiastic than the high profile companies.

Although some, including Bank of Tanzania governor Daudi Ballali, believe the economy could grow at 8 per cent annually - double its recent rate of around 4 per cent - the country's consento a long-run expansion rate closer to 5 per cent.

It is not just that decisionmaking and implementation tend to be cautious, in keeping with consensus-building, but also that the capacity, institutional and human as well as physical, for East Asian growth rates simply is not there.

climb.

recently tobacco.

There are grounds for cau-

tion, too, in the sense of déjà

vu. In several respects Tan-

zania today is much where it

six-year phase of economic

Then, as now, relative

had been achieved. Inflation

had slowed, the budget defi-

cit had swing from a deficit

of 9 per cent of GDP to a

marginal surplus after

grants, reserves had reached

three months' import cover,

compared with two weeks in

1986, and GDP was growing

Then it all began to go

at 5 per cent.

The key constraints on growth are infrastructure ~ poor roads, costly electricity. inadequate water - the high cost of doing business and the scarcity of managerial and technical talent. Natwar Gotecha, of Tanza-

nia Cigarettes, says his company uses the internet to track down and recruit Tanzanian graduates from abroad. Skills of all kinds will continue to be a serious bottleneck for the foreseeable future, the more so as most avenues of business become more knowledge-in-

While the government is working to make Tanzania a more business-friendly environment, progress is slow. Nearly 30 years of socialism has left an indelible imprint in the form of an anti-market culture that is breaking down only slowly.

Aid dependence, has stood at more than \$1bn annually since 1990 and at present accounts for 14 per cent of GNP, and its hangover continues in the twin forms of an unsustainable burden of per cent, reflecting huge dis-

**DEBT** by Tony Hawkins

wrong. Mr Ballali says: "Financial discipline began to dissipate and corruption became deeply rooted." The government's commitment abandoned"

lated institutional capacity. import duties and taxes, A bloated bureaucracy still while spending increased to 20 per cent of GDP. seeks to intervene whenever it can, both to justify its Donor funds, and with them development spending, existence and to exploit

dried up and debt arrears what is politely called ecoaccumulated both domestinomic rent, but in reality is cally and externally. largely petty corruption. And there is a residual sus-The change came when President Mkapa's administration took office at the end of 1995. The new team put in place the policies necessary

picion of private enterprise, especially if it is foreign Changing this culture is a generational challenge, evito return the budget to surdent in the fact that it is the plus and reduce inflation to younger, often foreign-edusingle digits in January for most committed to economic reform. In turn, this means So long as the that macro-economic stabil-

ity, which Tanzania is well public sector on the road to achieving, is only the beginning of a long inhibits, rather True, there has been some than facilitates. impressive, if spotty, evidence of supply side economic growth, responses to liberalisation. most dramatically in the the economy will mining sector but also in cashew nuts and more underperform

Meanwhile, despite adverse climatic conditions, was in 1992 after the first GDP growth has averaged 4 per cent over the past three years. The risk now is that, as in 1994-95, these hard-won macro-economic stability gains will again be dissipated in the run-up to the elections due late next year.

Rut. while keeping its nerve on macro-economic policy may be the top shortrun priority, arguably it is structural change that is the most important challenge now facing Tanzania.

So long as the public sector inhibits, rather than facilitates, economic growth, the economy will underperform. That is why successful privatisation is now the government's most important

The 1998-2001 Policy The share of government Framework Paper sets up an intimidating menu of far-reaching policy reforms including privatisation,

revenue in GDP fell from more than 14 per cent to 10.6

Running in a 6-year race

External debt has been rescheduled on 5 occasions

increase from the present

\$7.4bn to \$10bn by 2005 and

However, because the

economy is expected to

grow substantially faster

than debt accumulates, the

\$16bn by 2015.

Keeping in the IMF's good above exports of less than around 50 per cent. books is essential if Tanzania is to benefit from the Heavily Indebted Poor Countries initiative.

Medium- and long-term foreign debt is put at \$7.4bn. or 94 per cent of GDP in mid-1998. Some 40 per cent is owed to multi-lateral creditors such as the World Bank and a further 40 per cent to bilateral donors.

External debt has been rescheduled five times since 1986, the most recent being the January, 1997, agreement on so-called Naples terms.

Without debt relief, debt more than \$800m a year, well

HIPC, says finance minister Daniel Yona, is a "six-After full debt relief, debt service in 1999-2000 is projyear race".

If he can satisfy the IMF ected at \$274m, or 18 per and the World Bank by cent of exports of goods and sticking close to the pro-But, while Tanzania has gramme targets in 1999 obtained very substantial inevitable - he will nudge debt relief, in the absence of an HIPC debt reduction its his country towards HIPC debt stock will continue to eligibility.

But the country would still have to wait a further three years for debt to be forgiven under HIPC unless the donor community decides to accelerate the programme, as it is currently under pressure to service would be running at debt to GDP ratio will do from Germany and the fall from 94 per cent to United Kingdom.

deregulation, civil service cretionary exemptions from reform, continuing fiscal and monetary restraint, restructuring the utilities, reforming agricultural marketing and improving delivery in the social sector, especially health and education.

The timetable looks unrealistic, not just because of approaching elections but also bureaucratic antipathy towards privatisation on the one hand and sheer paucity of managerial talent on the

There are also nagging official commitment. reflected in a "perils of Pauline" tendency to let targets slip until the last possible moment before donors cut off funds.

In the private sector there is a feeling too that restraint has gone on too long and that, after years of pain, it is time to focus on gain in the form of significantly faster growth, lower real interest rates and a much more effective tax system than at present.

It is also essential to get away from donor dependence. Foreign aid performs two roles, closing the structural balance-of-payments gap - now \$800m a year and financing public sector investment.

Since 1990, net aid has averaging more than \$1bn and financed more than 90 per cent of investment. While this ratio is far from Africa's highest - Rwanda comes in at more than 500 per cent - it highlights the necessity for far greater private sector investment than hitherto.

Fortunately, foreign direct investment is picking up. averaging \$140m a year and up from virtually nothing in the early 1990s. This is likely to continue to increase, fuelled by a combination of privatisation and mining development.

But, with the trade gap estimated to have doubled in three years to a forecast \$900m this year when substantial food imports will be needed because of the drought, the balance of payments is in very poor shape, hugely dependent on aid and debt relief Despite this the real effec-

tive exchange rate has appreciated 17 per cent over the past three years, suggesting that devaluation would contribute to a healthier external payments situation while also giving non-traditional exports a lift.

Tanzania is pushing hard for Heavily Indebted Poor though some slippage is Country eligibility. This would help, though not for a few years. Foreign investment and export-led growth in mining, tourism and agriculture are the keys to faster expansion, but without radical public sector restructuring and a more businessfriendly culture, Tanzania's hopes of becoming an "African Lion" are unlikely to be realised in the medium term.

In the past there has been

no uniformity and as large,

overmanned enterprises are

sold off, so the labour unions, already flexing their

muscles in challenging the

proposed NBC sale to ABSA

in the courts, are likely to

funding of the planned priva-

tisation trust to warehouse

parastatal shares for even-

tual sale to Tanzanian inves-

In the face of such tight

constraints, the Tanzanian

authorities have eschewed

the fixed targets of what pro-

portions of equity should be

retained by the state or held

many other African coun-

tries, preferring flexibility

Whatever the PFP targets,

likely, especially given the

essary technical and admin-

Accordingly, it is hardly

gramme to last well beyond

and pragmatism.

istrative talent

the targeted 2001.

# Modest progress towards vital goal

A lack of local resources and the need to attract foreign capital means the programme is expected to last well beyond 2001.

Of all the policies for to complete. There is a quescommand to a market economy, privatisation is overwhelmingly the most impor-

TIMES REDNESDAY MARCH 31 18

In the heyday of socialism at the end of the 1970s, Tanzania had one of Africa's largest parastatal sectors. In 1990 public enterprises accounted for almost a fifth of GDP, including 27 per cent of non-farm GDP, a quarter of formal sector employment. 40 per cent of total investment and onethird of bank lending.

Today, few doubt that state ownership contributed substantially to the country's dismal economic performance in the 1970s and 1980s, in turn fuelling expechas a crucial role to play in preparing the economy for the 21st century.

Progress to date has been only modest. Although the numbers look impressive -270 of the targeted 395 parastatals have been processed since 1990, raising \$300m in revenue from more than 100 outright sales - the most important enterprises remain in the state's hands.

Not only that, but more than a third of the "privatisations" have, in fact, been liquidations, with another 10 per cent handled by way of leasing agreements and man-

The Presidential Parastatal Sector Reform Commission's five-year mandate ran out at the end of 1998 but was extended for a further

Under the 1999-2001 Policy Framework Paper (PFP) agreed with the IMF and tion programme should be completed by 2001, though government officials doubt whether this onerous target is really attainable.

Indeed, several of the targets, not just actual sell-off dates but those such as the adoption of "comprehensive policies for public enterprise debt and retrenchment strategies by next month, look extremely ambitious.

tions Company is to be brought to "point of sale" by May, but some in the private sector warn that this privisation will take a year or more

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tion mark, too, over the government's ability to conof the shares in the National Bank of Commerce to South Africa's ABSA group by the

end of March. Far from accelerating, there are good reasons to believe that the process might now slow. For a start, unbundling and restructuring some of the utilities is likely to require legislation, which will be a time-consuming process. In addition, privatising utilities means putting appropriate regula-tory authorities into place, which will also draw out the

Four other problems loom large. As the elections, not only will the politicians have other matters on their minds, but they are likely to be more cautious about making even mildly controver-

This is all the more important because of the under- by local investors found in standable public perception that privatisation really means "foreignisation".

Most of the large parastatals carry substantial debt burdens which must be tackled before the enterprises can be put on the block. For many of them, too, a great deal of hard administrative grind will be needed to produce a set of accounts acceptable to potential buyers, and retrenchment pack-

Task	47	- Deb
Remove 50 additional parastatats from government control		208
Bring Tarzania Telecome Co. to "point of sale"		May, 190
Remove monopley of National Shipping Agencies Corp.		April 1991
Deregutate Tenzania Central Fraight Bureau	-factor	March 199
Adopt Comprehensive Policy on retrenchment/compensation	- Va.	March 198
Adopt Comprehensive Policy on perastal debt	7.5	April 199
Power sector regulatory plan to be approved by Government.	* 37	June 198
Adopt Power Sector Pestructuring programme	11.5.1	Dec 198
Divest Terzanian-Italian Petrot, Refinery		1999/200
Concession Tanzania Rabwaya Corp.		June 2001
Concession Dar es Setaem Container Terminal		June 199
Divest public mining companies	. : '	1999/200

BANKS by Tony Hawkins

# First steps on road to market economy

The full impact of the switch from a socialist to a capitalist banking has still to be felt

the switch from a socialist to a capitalist banking ethos has still to be felt. It will come with the imminent privatisation of the state-owned National Bank of Commerce (1997).

South Africa's ABSA banking group is negotiating to buy 70 per cent of the equity in the partially recapitalised NBC, which according to some in the banking industry, still has a lending book.

So much so, in fact, that some bankers believe it has negative net worth in excess of TSh5bn. Its sale is central to meeting IMF benchmarks. but according to finance minister Daniel Yona, even if the ABSA talks were to founder - and government officials insist they are going to plan - Barclays is walting in the wings to make a

With the sale of NBC - the government plans to sell off the 30 per cent minority eventually to Tanzanian investors through the stock market - and between them account i "concessioning" of the per cent of the market. National Microfinance Bank to foreign management and the Co-operative and

completed.

Last year's launch of a stock exchange, though as of a dozen small-to-medium yet just two previously state-owned companies are listed, marks another important, step down the road to a market economy.

Turnover is tiny, not least because the market remains closed to foreigners, though this can be expected to change soon.

After 25 years of state large non-performing ownership there is no international investment culture as such and, while there are hopes accelerated that privatisation will ignite stock market activity, the reality is that the pool of savings to invest in equities is small, as is the knowledge base and flexibility of institutional investors.

Although there are . 17 operating banks, it is a market with multinationals and foreign business relying heavily on the international banks Citibank. Chartered and Stanbic of South Africa - which between them account for 30 er cent of the market. likely to intensify with the The state-owned banks approach of next year's

Although privately owned under a management Rural Development Bank, banks have taken off in contract. banking privatised in 1996, have an Tanzania, the full impact of privatisation will have been estimated 45 per cent to 50 per cent market share. leaving the rest in the hands

> Small business, politicians, the central bank and government officials complain that "excessive" government spreads of eight to 10 percentage points between deposit and lending rates mean the market is not working properly.

say the banks. pointing out that the differential between the rate they have to pay for wholesale funds in the market and prime lending rates is closer to 4 per cent. The average yield on treasury bills is down to 9

per cent from more than 13 percent six months ago, reflecting the slowdown in inflation from almost 30 percent at the end of 1995 to a 23-year low of 9.1 per cent in January. Whether this trend continues will depend on how long ministers are prepared to resist demands for reflation; which are



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**INVESTMENT** by

#### press demands for more gen-erous terminal benefits. Critical resources, especially the lack of depth of absorptive capacity in the country's still-embryonic capital markets, privatisation is closely linked to the attraction of foreign capital, the development of "collective" stock market instruments such as unit trusts and the creation and

The country has had more than its fair share of aid and cannot afford to ride its luck any longer

Three years ago an Investo earched by international consultants, painted an intimidating picture of a red tape-riddled, bureaucratically dominated economy. This study, says Emman-

the reality is that similar flexibility in the timetable is uel Ole Naiko, investment promotion director at the relative scarcity of the nec-Tanzania Investment Centre. forced it to rethink its strategy, to streamline procedures and to shift focus from surprising that Tanzanian a screening agency that officials expect the proinhibits decisions to a facilitative agency that promotes

> How successfully it is proving to be is another matter. Officials claim they are giving investment certificates, which are not mandatory but open the incentives, in less than 14

Critics say that while this might apply to large firms the small investor waits a good deal longer.

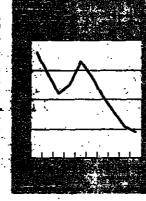
The centre responds to such criticisms with figures. showing it has issued \$3.6bn worth of investment certificates since 1990, covering nearly 1,100 projects with the potential to create

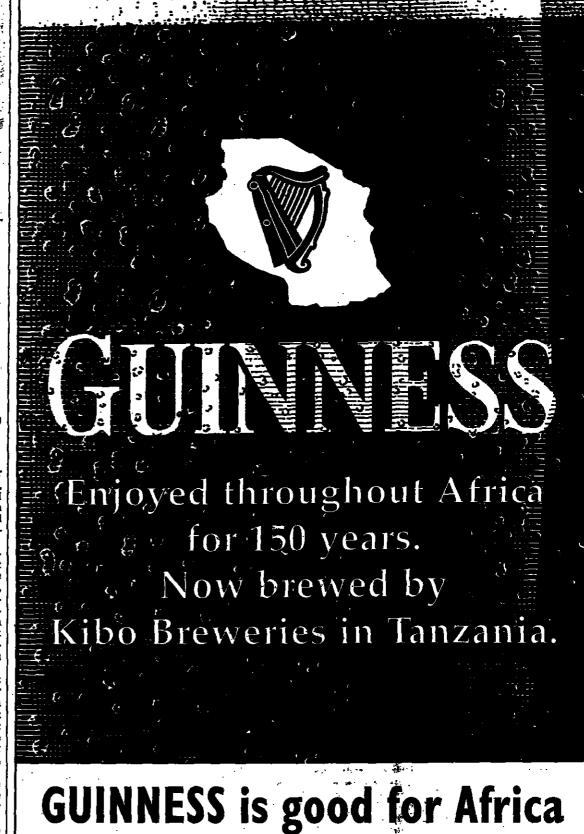
Most projects are in the manufacturing sector, followed by tourism and agriculture, but while mining is small in numbers, it looms large in terms of project size.

Britain, South Africa. China and Canada are among the leading investors. Actual investment by the private sector is substantially less, averaging \$85m annually during the 1990s. suggesting that fewer than a quarter of investment certificates have so far been imple-

Investment promotion is critical, not just because of the country's unexploited potential, but also because at present domestic savings ount to a tiny 7 per cent of GDP. Investment, estimated at less than 20 per cent of GDP, must therefore be largely funded by foreign capital, which hitherto has been dominated by official assistance.

Fortunately, that is change ing. In the three years 1995-97 inward private investment exceeded \$420m, which is just as well since Tanzania has had more than its fair share of aid and cannot afford to ride its luck any longer - the more so now that aid is unlikely to be forthcoming in future at





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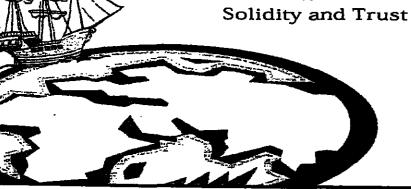


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AGRICULTURE by Mark Turner

# Vital sector at mercy of the weather

With the exception of tea, most crops are only just at the production levels of 30 years ago

For all the recent optimism there yet. We must also that mining, tourism and eventually manufacturing will drive Tanzanian growth. agriculture remains the bedrock of the country's economy and provides the only source of income to the majority of its population.

For most Tanzanians. farming will remain the only sector that matters. Agriculture accounts for 50-60 per cent of GDP and provides a livelihood for 85 per cent of the country's 30m people.

Unfortunately, most farmers have seen little benefit emergence from the economic wilderness. Rural poverty is increasing and services such as health and education are in a dreadful

Buffeted by three years of drought, flood and drought again, Tanzania faces serious food shortages this year in regions where people's sellable assets are dwindling

According to the World Food Programme, well over a million people are in need of emergency assistance, particularly around Dodoma and Singida, as the maize

This terrifying state of affairs is driving the government to have a serious think about farming. First of all we must be self-sufficient in food, that is the paramount aim," says William Kusila, the recently appointed min ister for agriculture. "Unfortunately we are not

crops. In past years production of most crops has gone There is evidence that

increase production in cash

some export crops such as tea, cashew nuts and horticulture are showing signs of growth. The country produced more than 93,000 tonnes of cashew nuts last year according to the ministry of agriculture, an increase of 50,000 tonnes over five years.

Tobacco production was estimated at 35,000 tonnes. from Tanzania's recent up from 23,000 in 1992-93, and tea production stood at more than 26,000 tonnes against 21,000 in 1992-93. But it is notable that, with

the exception of tea, most crops are only just at the production levels of 30 years ago, when the country's population was around a third

Coffee and cotton, the largest agricultural export earners, have respectively declined and stagnated with lower quality - over the past half decade, according to the ministry of agriculture. Sisal production is around a tenth of levels of 30

"For the past few years production in most crops has gone down." says Mr Kusila. "The government drive is to reverse the trend.

The challenges he faces are enormous. Tanzania has more than 40m bectares of arable land but only 6m are



Only 15 per cent of the country has access to water. and a lack of controlled irrigation means that crops are almost totally dependent on the weather.

Poor rural infrastructure makes marketing very difficult and discourages young entrepreneurs from invest-

Since the liberalisation of the agriculture sector in the early 1990s, which allowed private industry to step in where parastatal marketing boards used to control prices and provide subsidised agricultural inputs, the farming including a voucher system

sector, despite improvements in farm gate prices as a percentage of world market prices, has faced huge problems in obtaining sufficient fertilisers and pesti-

Private traders, particularly in tobacco and cotton, did initially try to advance the cost of inputs for guaranteed sales later, but farmers renezed on the deal and traders are now holding back.

The government is experimenting with a number of schemes to overcome this,

in coffee, but their effective ness is still not clear. A serious dearth of microfinance. despite the establishment of a micro-finance bank from the old National

Bank of Commerce, makes it next to impossible for farmers to invest in modern machinery Commercial banks are not interested; and despite increasing activities by some

tions such as Pride Tanzania, there is no rural credit guarantee system. Roads are in a mess following the El Niño rains. and extension services have

non-governmental organisa-

largely disappeared. Daudi Ballali, the central bank governor, says that if the government wants to stimulate agriculture and the moribund agro-processing industry it must start thinking seriously about

incentives. "We have to do a lot of homework," he says. "The incentive structure is not there. When we abolished the marketing boards it was assumed the private sector would jump in, but it is not taking the opportunities."

Farmers by themselves have few collective bargaining structures, and the co-operative system is beset by corruption and poor

Satish Soochak, who exports around 15 per cent of the country's coffee and has dealings in most other cash Sean Sprague/ Panos Pictures crops, says that his long-term strategy for coffee is to move into the gourmet business and to focus on a niche quality product rather than high quantity.

His message to the government is to leave the farming sector as free from interference as possible.

But, while Mr Kusila agrees that a free farming sector is a "good philosophy. in the long term", he is wary of letting go altogether at this stage. "Farmers are not vet used to bargaining for their rights. Initially you need a mechanism to protect

of Mines, with the help of

TEMA, hope to hold a two to

three-day Mining Awareness

workshop in early May to

introduce Tanzanian Gov-

ernment officials, artisina

miners and other interested

parties to large scale

benefits it brings to both the

mining operators and the

Tanzanian populace at large.

in the long-term, Mr Ruta-

chanised mining, and the

MINING by Mark Turner

# Another time, another gold rush

In spite of the decline in gold prices, in the medium-term the Tanzanian sector is on a roll

night there are grizzled faces, Australian, South African and Canadian accents, grumbles about the uncertainty of gold prices, and bouts of raucous laughter.

The vibe is unmistakable this is gold town, Tanzania, a modern-day Klondyke where only the satellite sport channel and recycled pop music betray the late 1990s setting. Mwanza, situated on the southern shore of Lake Victoria and a natural point of entry for mining equipment shipped via Kenya, is the de facto capital of an industry that has seen a remarkable take-off over the past two years.

With more money spent on non-ferrous minerals exploration last year than any other African country, the first commercial gold mine starting operations in November, and the prospect of another four to seven projects coming on-stream over the next year and half, Tan-

'Our strategy is to encourage joint ventures, and to build up the service

industry'

zania is undoubtedly flavour of the month in African mining circles.

year is expected to drop below the \$58m of 1998, to around \$45m, but mine development spending could soar from around \$50m in 1998 to \$400m over the next two years. The first project to start operations - Golden Pride, operated by Australla's Resolute in joint venture with Ashanti (which bought out Samax Resources last year) - boasts an estimated resources of 2.4m ounces and is expected to produce 180,000 troy ounces

The \$350m Bulyanhulu project, now owned by Barrick which recently bought out Sutton Resources, is a world class deposit with 9m ounces, and – although underground – boasts a highly attractive grade of 12-13 grammes/tonne, and capitalise on an activity should start operations over

Ashanti Goldfields, East Anglo-American are all more benefit from regional

At the Tilapia hotel bar, exploring and developing activity. Mwanza, on any Saturday another contained 9m odd estimated resources around pute over land is settled - is expected to press ahead with the Tarime gold project in northern Tanzania, with well over a million troy ounces. Anglo-American's nickel project in Kabanga. which also contains copper and cobalt, is also expected to start operations over the

> general move towards diversification. Total estimated gold deposits now stand at around 30m ounces - with 8m discovered last year. Given the attractive geology of the region, which is not unlike that of western Australia, industry pundits believe that further exploration will reveal considerably

next two years, reflecting a

"The gold rush seen in Tanzania by both artisinal miners and modern mining companies over the past two years parallels those seen in Canada, Australia and South Africa around the turn of the century," says Mike Skead. the chairman of the Tanzania Exploration and Mining Association. Over the next three years, Tanzania expects mining to boost foreign exchange earnings by 50 per cent. Of late, however, the seem-

ing terminal decline of gold prices to around \$285/ounce has injected a note of caution into previous unfettered optimism. A number of pro-Exploration spending this jects have been delayed, and many of the service contractor which thronged the Tilapia at this time last year have gone home.

In the medium-term, how ever, there appears to be little doubt that Tanzanian mining is on a roll. A recent cially allowed the repatriation of profits, and the government's decision to allow duty-free and VAT free imports of equipment has created an investment environment that competes with anywhere in the world.

In fact, the huge incentives granted to mining companies - which have not been replicated in other sectors - has prompted some debate within government circles as to whether Tanzania should not do more to which accounts for somecent of GDP. Local govern-Mines and ments are pressing to reap

Mashariki - once a legal dis- manent secretary in the min- service operations.

As things stand, the government will take royalties of 3 per cent once production comes on-line. plus 35 per cent corporation tax (after a 100 per cent capital write-off allowance). A new Mining Act, expected to be completed this year, should increase transparency in the sector, and also clarify health and safety issues. In

banzibwa is convinced that order, Tanzanian Chamber We've been asked to do the real benefits will be some analysis to see how more indirect, especially the Geita and Ramagaza much we should take," says once Tanzanian entrepre-Greenstone belts, and Afrika Patrick Rutabanzibwa. per- neurs become involved in

age joint ventures, and to build up the service indussays Mr Rutabanzibwa That's really the secret." Mining is also attracting investment in power lines. water and roads (which are poor, but improving), and Ashanti's processing plant in Geita is expected to act as a hub for the whole region. Recognising that some the longer-term. Mr Ruta-

public relations work is in

#### banzibwa is very upbeat about prospects. "The whole place is very underdeveloped: we are at a similar stage to Kalgoorlie one hun-



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convinced that free trade, served by

local businessmen, is the only viable

revenue rose from 400,000 rupees a

nuces because of services." he says

hit by the union's recent decision to

harmonise customs duties, which

which serve the entire east African

dreams of their leaders to material most Zanzibaris have little to look

forward to. Khelfan Khalfan, who

non-governmental organisations,

paints a worrying picture of declining

In that context, he is sharply critical

of the western aid freeze, which he

hardship. "If you put pressure on the

Zanizbar government, but say that

doesn't achieve anything," he says.

If these nations feel something is

That kind of embargo is not effective.

wrong, it is the Union that should bear

Zanziber is a part of Tanzania, it

says achieves little save more

services, unemployment and rising

represents the islands'

social discontent.

the responsibility."

The crumbling port has been badly

previously favoured Zanzibar. The port

now largely relies on smuggling routes

As they wait for the more ambitious

month, in customs duties, to 1.2m

from 1892 to 1910. At that time

future for the island.

coast

It is mid-morning in late February, and a few milling tourists peer from a safe distance at the armed police surrounding Zanzibar town's court. The guns and nervous aggression do not tally well with the tranquil retreat they were sold in the brochures.

Yet the police, watchful lest 18 political prisoners held on treason charges without trial try to escape from the latest in an endless series of hearings, are every bit as Zanzibari as the islands' stunning beaches and fading clove fields.

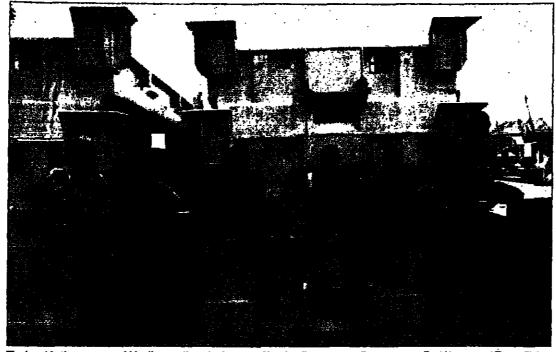
Zanzibar, whose name suggests Arabian nights and ancient trade routes, is a troubled place, belying the air of coastal Islamic calm which pervades the shady streets of its ancient stone capital.

Political rancour, investment scams, drugs, resentment against mainland immigrants, grinding poverty - these are are all present on a scale out of proportion to the islands' small geography, Small wonder that Zanzibar's youngest and brightest dream of little more than leaving.

The islands' former mainstay product, cloves, has never recovered from the commodity price slides of the 1980s, and looks unlikely to do so soon. Development has largely ground to a halt, especially after an aid freeze was imposed by western donors following the controversial 1995 elections, which the ruling Chama Cha Mapinduzi (CCM) party was widely believed to have stolen from their opponents in the Civic United Front (CUF).

Certainly, the local communities reap few benefits from packages paid for in Europe and infrastructure which

markedly bypasses their villages. The only other real progress has been in seaweed production, which has blossomed over the past decade, Mozambique and Madagascar are fast on Zanzibar's tail. The island's Export



The jewel in the crown would be the creation of a free port. Now it relies on smuggling routes

Promotion Zone iles idle, water is scarce and power is weefully inadequate.

It comes as no surprise, therefore, that Zanziber is asking some searching questions about the kind of place it wants to be.

There are questions about the state of its union with the mainland - critics say that the current two government structure (one for Zanzibar, and one for both the mainland and the union) is fast heading towards a unitary state, and are calling for a three-governmen arrangement to take its place.

"As we reach the 35th year, the union poses a lot of problems. We want three governments - otherwise there is a danger this union will break," says Mohamed Ali Yusuf, sookesman for the CUF. His party is also calling for a level playing field ahead of next year's elections, with an independent or balanced electoral

But in the current political climate, the CUF's voice is strongly supressed The government takes a dim view of apposition activities and, despite some recent optimism that a

Commonwealth-brokered agreement would be signed by both parties, there s scant dialogue between the parties. This is not helped by the continued holding of political prisoners, which

include a number of prominent CUF.

Although the prosecution recently produced testimony from more than 60 witnesses to back its treason charges, few expect the case to be resolved soon. Commentators suggest that the government is using the case as a bargaining chip for negotiations

with the opposition ahead of next

year's elections. These difficulties do not stop the islands from having lofty ambitions, however. "We are projecting in 20 years to be like Singapore," says Amina Salim Ali, the finance minister. Other possible models include Mauritius and Dubal, Mrs All says that her first goal is to bring telecommunications up to world standards - to that end she has antered into a partnership with

Emirates for a \$15m satellite system. But the jewel in the crown would be the creation of a free port, which would allow imports duty-free and act a shopping centre for east and southern Africa. Moves to create a free zone at the airport are underway. and a British consultant is undertaking a feasibility study.

investors from the United Arab

Nassor Mazrul, a prominent and outspoken businessman who heads the chamber of commerce, is also

As the demand for quality

INDUSTRY by Tony Hawkins

# Sell-offs could fuel recovery

Industrialists want the government to go much further in reducing input costs and rationalising a complex tax system

Liberalisation "without and duty compliance. discipline", as one govern-ment official calls it, has not been kind to Tanzania's

manufacturing industry. Once seen as the country's lead sector, manufacturing has become its Cinderella, growing at less than 2 per cent a year over the past decade and accounting for only 8 per cent of GDP, down from 11 per cent in 1970.

As in most African economies, value-added is dominated by a narrow range of consumer goods industries, targeting the domestic market. Beverages and cigarettes account for 30 per cent, food processing 16 per cent and basic manufactures - paper, packaging and nonmetallic products - a further

30 per cent. Although \$500m was invested in textiles over 20 vears the sector is in poor shape, contributing just 1 per cent of manufacturing value-added. Along with many other branches of industry, clothing and textiles have been the victims of smuggling, import duty evasion and the explosion of the second-hand clothing

Only 25 per cent of the installed capacity of 250m square metres of cloth production is being used while the garment side of the business has all but disappeared. Despita this, officials predict a recovery fuelled partly by privatisation, along with

planned measures to curb

Although industrialists say such measures are welcome, they want the government to go much further in reducing input costs, especially electricity, improving infrastructure, notably roads and water supply, and above all rationalising a complex,

cascading tax system. An anonymous advertise ment in a Tanzanian newspaper early this month, shows how taxes impact on business. The numbers (below) explain why tax evasion is rife and how business can earn more by depositing money in the bank.



As if these supply side and regulatory disincentives to business were not enough. industrialists face two other big challenges. Margins are being squeezed by the combialists are calling on the gov-ernment to shift the policy

tion to reflating demand. Yet even if the policy stance is relaxed many firms could face a new threat in the form of the proposed East African "zero teriff" agreement due to take effect on July 1. While industrialists support regional integra-tion, they warn that Tanza-nia risks being swamped by lower cost imports from

Kenya. Already the trade balance is hugely in Nairobi's favour. Tsh107bn of imports from Kenya compared with exports to Kenya of less than Tsh8bn. Industrialists and policymakers rightly fear trade diversion too - that Tanzanian consumers will end up paying more for lower quality imports from within the EAC than cheaper and better ones from Europe, Asia or South Africa.

Taxes are more onerous in Tanzania, while Kenya has the added advantages of lower utility costs, scale economies and a broader industrial base, all of which could mean that economic pragmatism will stand in the way of the political thrust for regional integration.

Tanzania could either invoke the "asymmetry" clause in the EAC agreement that would allow it to phase down its tariffs gradually rather than immediately or insist on exceptions covering "sensitive" industrial sec-

In the medium term, industrial growth will have both to be export-led - at present only 17 per cent of output is exported - and fuelled by agricultural growth. Export processing zones are on the agenda, though many believe that under trade liberalisation these bave outlived their usefulness.

Adding value to farm produce, such as foods, textiles and leather goods, for both domestic and export marnation of sluggish domestic kets, and exploiting rising demand and relatively high consumer incomes in agridumping and increase tax real interest rates. Industri- culture looks a better bet.

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#### THE UNITED REPUBLIC OF TANZANIA



PRESIDENTIAL PARASTATAL SECTOR REFORM COMMISSION

INVITATION FOR THE PURCHASE OF MAJORITY SHAREHOLDING IN SOUTHERN PAPER MILLS (SPM)

The Government of the United Republic of Tanzania, through the Presidential Parastatal Sector Reform Commission, wishes to divest itself of majority ownership in Southern Paper Mills LTD (SPM) and hereby invites competent interested investors to acquire a majority stake in the company.

COMPANY DESCRIPTION / PROFILE

Southern Paper Mills LTD manufactures and trades in pulp

SPM is located in the Mufindi District at Mgololo along the TAZARA railway line (with a skring). Mulindi is located in the

equipment with top-quality plan and machinery; Located near plantation forests which other first class wood supply sufficient to meet requirements for the design capacity of 75,000 tpa and beyond;

A 99 year leasehold on 28,000 ha of virgin land in the immediate vicinity suitable for the development of additional forest resources in the event of substantial expansion of capacity;

Centrally positioned within the COMESA market which has an estimated size of approximately 600,00 MT and enjoys preferential duty rates;

Government willingness to extend to a capable investor, a wide range of special concessions including fiscal incentives to facilitate competitive production for the

investors who can supply the necessary investment and working capital and managerial expertise to increase the production volumes; who can improve quality and optimise the production mb., hate air opportunity to turn SPM into a

profilable enterprise. SPM's capital expenditure needs are estimated at

(a. Installation of condensing burbins and switching to TMP meditanical pulp technology. The balance of USS 6 million is to finance working capital requirements.

and paper of various grades for industry and domestic use.

Southern Highlands of Tanzania.

SPM has an achievable annual production capacity of up to 60,000 FMT of paper, and a big scope to easily expand to 75,000 FMT of paper without major investments. It also has the following features:

A modern, wall designed and constructed mill

The only integrated pulp and paper mill in Tanzania serving a domestic market estimated at 36,000 toe in

comestic and export market.

US\$ 29 million in the short and medium term. This includes US\$ 13 million required in the first year to finance. rehabilitation and investment in energy saving technology

The subsequent capital expenditure of US\$ 10 million is required in the second and third year to complete the rehabilitation, and modernisation of the bleaching plant, paper, machines, finishing sections and capacity expension.

The Government is willing to contribute substantially to this tinancing with the objective of creating a conductive environment for competitive commental operations.

The second half of April 1999 has been set saids for



OFFER OR BID CONDITIONS

Offers are invited under the following conditions:

(a) an undertaking by the bidder to continue using the

assets of the company to produce the same or such other related products as the market may dictate; (b) bidders must present:

details of their business history and affiliations; -comprehensive business plans detailing steps to be undertailing to continue the operations of the company;

investment and financial proposals; (c) six copies of the bid submission must be submitted in a property sealed envelope clearly marked in the top right hand corner: "Bid for Southern Paper Mills LTD (SPM)"

(d) all bids should be addressed and submitted to: The Executive Chairman Presidential Parastatal Sector Reform Commission

Sukari House PO Box 9252 DAR ES SALAAM

Tel: (255 51) 115482, 116268, 135775

Facslmile (255 51) 113065/113066 Email: Isaack Masaila < masaila @ raha.com> (e) bids will be opened immediately after the closing date as mentioned below. Bids received after the closing

date will not be considered: (f) In evaluating offers, the PSRC will take into account,

(f) the overall package to turn round SPM and enhance

utilisation of the installed capacity to 75,000 (ii) other proposed usage of SPM's assets, i.e.

(III) knowledge of the industry and access to relevant

(iv) proposed business plan: (v) proof of financial ability to access working capital and investment funds:

\*(M) price offered and the conditions and terms of payment; (vii) security of employment for SPM's employees: (2) PSRC will not be bound to accept any bid on the basis of price or any other single factor. Government's decision will be final;

(h) an Information Memorandum containing additional information on the company, bid documentation, bid submission requirements and bid evaluation procedures can be obtained from the Executive Chairman of the PSRC. Applications made from within the United Republic of Tanzania must be accompanied by a bankers cheque or postal order for TSh 70,000 payable to PSRC. Applications from outside Tanzania should be accompanied by a freely convertible

instrument worth US\$ 100 payable to PSRC; fi) only bids that comply fully with documentation and submission requirements will be considered.

The second half of April 1999 has been all saids for (i) only bids that comply fully with documentation and bidders to visit the null.

The closing time for submission of biffers as 2000 its on Friday 28 May 1999.

Bids will be opened on the same day at 16.30 points in the PSRC conference room. Bidders are invited to attend the opening caregiony.

#### Investors invited for power sector in Tanzania

The Management of The Tarzania Electric Supply Company Limited (TANESCO) fully recognizes the critical importance of increasing power generating capacity. TANESCO therefore welcomes international investors to participate in expanding the government in

power generating capacity. (ANESCO therefore welcomes international materials in particular in expension of the power sector in the country for many years to come and export energy to neighbouring countries. There is also undetermined potential of geothermal energy.

Interconnection with neighbouring countries.

Potential for interconnection does exist between Tanzania, Zambia, Kenya and Uganda and feasibility studies for the lines have been

Potential for interconnections of the second completed and confirm the technical and economic viability to these for interconnections.

TANESCO is currently looking for potential developers for the project that involves the construction of a 350ky transmission line from Serenje through Kasama in Zambia to Mibeya in Tanzania, a distance of 700km. The study has estimated the project cost to be

Mchuchuma Colliery and Thermal Power Station project.

Feasibility studies have established that there are sufficient coal reserves at Mchuchema for agazania to provide for 400 MW generation capacity for between 30-40 years. The plant is recommended to be based on pulverised scall provided is proven and widely used in other African countries. used in other African countries.

Stiglers Gorge Hydropower Project The project is located near a narrow gorge on the Ruffli river in Tanzania, some 230km upstream from the Indian Ocean. It entails

The project is located treat a harrow gorge or the training construction of two power stations - power station A with four units (400 MW) and power station B with 4 units (800 MW). The estimated capital cost was approximately US\$1,200 million at 1985 prices. Eor more information contact

The Managing Director, TANESCO, PO Box 9024, Dar et Salaym, Tanzania
Tel. (255-51) 112891 Fax: (255-51) 113836. E-mail: matania intalvica.com



TOURISM by Mark Turner

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ing programme,

our product becomes uncom-

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# A complete holiday destination

Over-taxation is a problem for an industry at last beginning to realise its potential by combining beach and wildlife attractions

Park and Digotongoro crater its promise. to the peaks of Kilamanjaro and the crumbling island world's most complete holiday destinations.

While the Eenyan park experience is often tainted by the sight of eight minibuses, bedecked with clicking sightseers, all crowding a single cheetah. Tanzania still offers a relatively wild experience.

internal strife is also growing at 20 per cent a big selling point year. when compared with Kenyan triolence and, as highlighted recently, the dangerous insurgencies on Uganda's western fringe.

But this is nothing new. Tanzania's potential in tourism has been touted for rium on any new hotel embassy bombs. many years as a huge oppor- development on the tunity to boost foreign northern circuit, insisting term the picture they exchange receipts and to drive development of ancillary services.

The difference in the late

From the spectacular game 1990s is that the country at tors to spend more money reserves of the Serengeti last appears to be fulfuling

Peter Mwenguo, director of marketing for the Tanzanian charm of Zanzibar, Tanza- tourist board, says visitors ma's tourism industry does have risen consistently not need to lie when it throughout the decade, from claims to offers one of the 187,000 in 1991 to just over 400,000 last year.

With each visitor bringing in approximately \$1,000, that amounts to foreign exchange receipts of \$400m or more, he

Daudi Ballah, governor of the central bank, says that last year Tanzania received 8500m, thanks to tourism. The country's lack of and receipts have been

The government aims to increase visitor numbers to half a million by 2000 but then to stabilise the number and focus on diversifying the product.

that environmental protection is key to its long-term future.

It recently put a morato-

by increasing their activiries, by moving into cultural tourism, in the Bagamoyo (slave market) for example, Unesco has belped on a project to develop the old slave route." says Mr Mwen-

Zanzibar is also upbeat, with visitors increasing at an average of 10 per cent a year for the past 10 years except for a small drop in

> The central stone town has seen a flurry of activity over the past five years and the island's east coast has been rapidly developed by Italian hotel groups.

Some tour operators have expressed doubts about last year's figures for Tanzania following a number of cancellations due to difficulties with the heavy El Niño rains, a slump in nearby Kenya and the August

But in the longer paint is positive and

past 10 years of liberalisa- ronmental concern, accordtion are reaping economic rewards.

The Serena hotel group, for example, financed by the Aga Khan, the International Finance Corporation and the Commonwealth Development Corporation, has over the past five years invested \$32.5m in three lodges and a tented camp in the country's northern circuit and 7.5m in

a hotel in Zanzıbar. It is now looking at opportunities in the underdeveloped southern game reserves at Selous and Ruaha.

"The future looks bright." says Jan Mohammed, managing director of Serena East Africa. He says Tanzania's immediate future is as part of an East African package, combining beaches and ani-

"We are already seeing and Tanzanian itineraries which are doing rather well," he says.

But there are still difficuloffers, alongside the mining ties. The border between industry, one of the most, the Masai Mara and Seren-

as part of relaunch of the ing to the government - and East African Community, tour operators claim they have floundered amid are being stung by the bureaucratic disagreements recently introduced 20 per and differences of philosocent VAT and innumerable other taxes. Tour operators also com-

The Kimengelia border near Mount Kilamaniaro was also closed recently due to concern that tourists were entering without necessary

\*For three consecutive years we have pleaded with the treasury to address the plight of the tourist industry with regard to over-taxa-Tanzanian Industry said in a

recent report.

"If this situation is not reversed, it is probable that in the near future Tanzanja will not have its own air charter business or maintenance facilities. We will become wholly depencombinations of Kenyan dent on Kenya for such ser-

> Visas are expensive, and the country has no open skies policy with neighbouring Kenya.

Efforts to create an East can look forward to a pros-"We are encouraging visi- striking examples that the geti is closed - due to envi- African identity for tourism, perous future.

# A guide for the business traveller

Arriving in Dar-es-Salaam, the commercial capital of Tanzania, is quite a pleasant expenence; the airport is basic, but efficient enough. and the town is relaxed. Security is not a major concern, although it is certainly worthwhile being on guard after dark.

For money, it is best to take dollars, which can be changed at varying rates in the many banks or bureaux de change. Credit cards are accepted in major hotels. but when paying for local services - if accepted at all - they tend to be charged at a premium rate. Do not rely on plastic alone.

Upon arrival in Tanzania, you will need a yellow tever certificate, and a visa which it is advisable to obtain in the country of origin. Do take malaria precautions; do not drink the tap water. The climate is hot and but a pleasant sea air makes walking amid the greenery of the centre enjoy able. Most people will speak at least a smattering of English, but Kiswahili is the first language, and some basic phrases will be apprecizted. A polite hello is 'habari', to which the response is 'nzuri'. You will

be told 'karibu' (welcome). to which the response is plain about poor roads 'asante' ithank vou). leading to the parks, which Taxis from the airport to were decimated by the El town should cost about TSh10,000 in normal hours. Niño rains, and say the

shilling's relative strength; and you can negotiate is eroding the country's cheaper a short hop around competitiveness compared the town should cost between TSh1,300-2600. "The Tanzanian governdepending on whether you ment has to provide an i pick a taxi from outside your enabling environment for hotel or elsewhere; further tion." the Confederation of all to make sure we don't ! beyond the centre should get into a situation where nct cost more than

TSH3.000-5000 a trip.

There are three hotels of business standard in Dar-es-Nevertheless, the rehabili- i Salaam: the Sheraton (with tation of Kilamanjaro airport prices starting at \$199, but should shortly improve with good facitities, tel access and the country has 255/0)51 112416, fax 255(0:51 13981), the attracembarked on a big road-fixtive, but out-of-town Sea If the southern circuit · Cliff starts at \$167, tel comes back to life, beasting (255,0,51,600380-7) and the the continent's largest game New Africa - conveniently reserve and unparalleled iccated, but which may viewing. Tanzanian tourism: attempt to overcharge you

for telephone bills and pro-

: vides an irregular messaging

and fax service (starts \$190. tel 255(0)51 117050, fax 255(0)5116731). The town is not renowned for international quality restaurants, but a pleasant meal can be had at one of the various establishments at the Slipways complex. 15 minutes out of town. The Sea Cliff has a well-respected restaurant; for Chinese try the Hong Kong, or the Rickshaw.

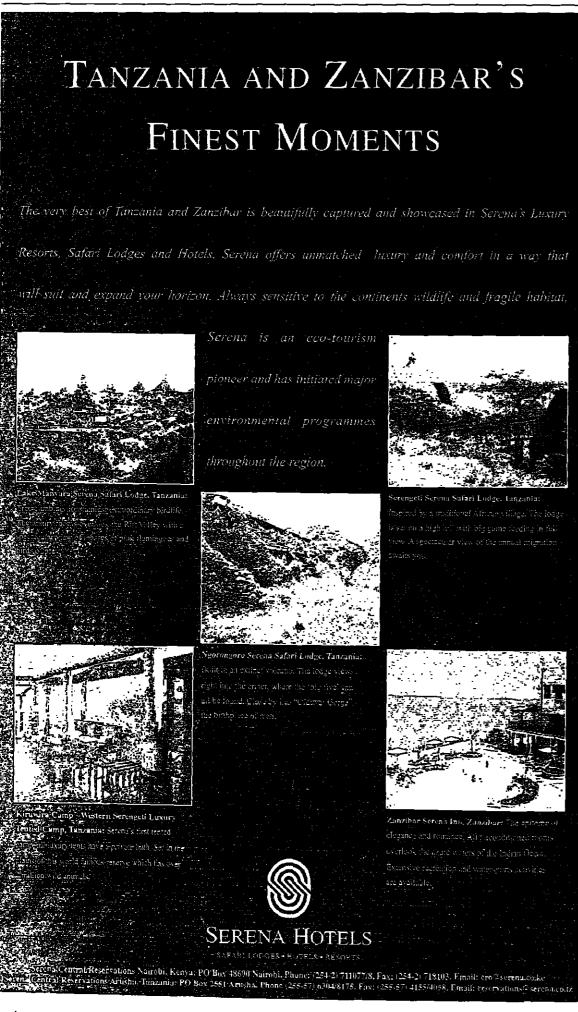
On Zanzibar, the Serena Hotal is beautifully-situated but pricey, starting at \$195 (tel 255 (0)54 31015, fex 0311 3331700); try also the attractive Tembo notel (a single starts at \$75, tel 255(0) 54 33005 fax 33777). but where telephone calls have to be routed through reception. Other hotels have opened in the stone town. and are worth a visit. In Mwanza, the hotel of choice is the Tilapia Hotel (\$70/ night: 255 (G)68 500517, fax 255 (0)68 500141).

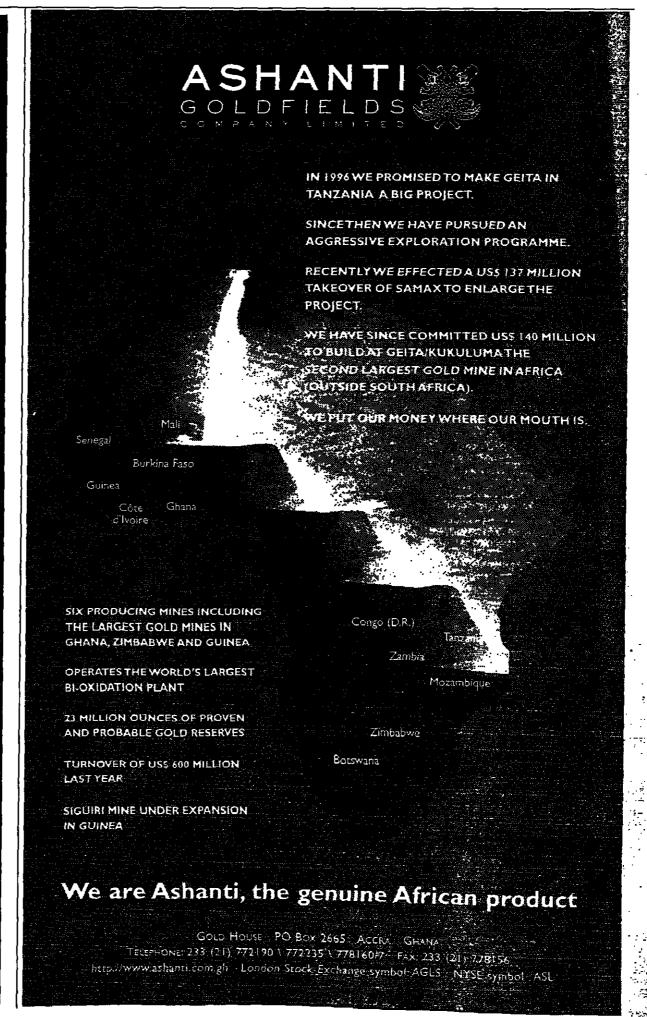
The Berger

To get the

Travel around Tanzania's major centres is relatively easy. Air Tanzania (255 (0)51 844239 - reservations, head office 255(0)51 110245-8) and Precision Air (255(0)51 130800) offer a range of domestic flights, but are rather expensive. Be prepared, however, for trumpy runways, hot waiting rooms and delays. Travel to Zanzibar is easy via one of the numerous femes (starting at 8 am) which leave from Dar harbour. The journey lasts two hours, and will cost from \$30-40. You will need to go through customs again at Zanabar port

The basic tip for doing business in Tanzania is to have patience. The investment centre, although designed as a one-stop shop, can be extremely unhelpful, especially if you are a small operation. Also, be wary of incentives offered some businesses ha.e. dicovered to their cost that generous packages on paper disappear when it comes to implementation. It is advisable to look for a local partner, ation. When planning a budget, estimate what a similar operation in Europe would cost and double it - costs spiral (whether official or unofficial).









The state of the s

# NORTH WEST ENGLAND

REGIONAL REPORT

# Time to focus on strengths Business survived rates of the control and centres of excellence

By providing a more coherent vision of the future, the new regional development agency could provide the region with a once in a lifetime chance to re-launch itself and capitalise on recent successes. Sheila Jones reports

The brave new world of ture projects in cities such

be limited, but the north centre rebuilding prowest's business and political leaders hope the new development agency, which comes into being formally next week, will unleash the enthusiasm and expertise to promote the region in the European

The government has charged RDAs with the task of developing economic and social strategies to take England's nine regions into the millennium. The challenge is to lift skills, employment, investment and competitiveness with sustainable regeneration and development. England's regions can no longer afford to lag behind the best performers in Europe, says Richard Caborn, minister for the

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For the north west, the task is particularly difficult, The region has suffered from years of industrial decline and while there are many bright spots in the regional economy, the north west must also tackle some of the hardest regeneration challenges in the country.

Inner city deprivation con- recent years in Manchester tinues to cast a shadow in Manchester and Liverpool, despite revival and development in both those cities. In Cumbria, relative wealth in parts of the region contrast with high unemployment rates in some of its old industrial areas.

The economic downturn of the past 18 months is also taking a hard toll, particularly in manufacturing industries, such as engineering and textiles, while the region's exporters are suffering from profit margins cut to the bone. Restructuring and cost cutting among bedrock employers, such as chemicals and pharmaceuticals, could bring further job

Yet, if the north west has lost much in the past, there is a feeling that much can now be gained. The region remains a net creator of jobs despite the downturn. It has won substantial investment in service industries in particular. The north west has become the UK market leader in the call centre industry, for example, with thousands of jobs created in Chester, Liverpool, Warring-

ton and Manchester. Niche manufacturers, from food processing to electronic engineering and specialist pharmaceuticals, are building markets at home and abroad. The north west has also gained confidence from the renewed commitment to the region of two of its biggest employers: Ford on Merseyside and Vauxhall in Ellesmere Port, both of which are expanding produc-

There are lots of opportunities and we need to concentrate on our strengths and centres of excellence." says Chris Clifford, north west director of the Confederation of British Industry. "There is also a need to encourage reskilling and retraining. People accept they are not going to get jobs for life and that because they have spent the past 10 years in manufacturing it does not mean that is where the next job will be. It probably won't. It might be in a

Inward investment in the region jumped to record levels last year, with projects worth more than £200m apating 12,000 jobs. More

regional government dawns as Manchester, where £700m has been invested, most of it private money, in the city gramme since the 1996 IRA bombing. The figure is expected to reach 11bn by next year.

Yet the region still suffers from relatively low earnings added employment, and this is seen as a central Issue for

Regional unemployment remains above the national average, rising against the national trend in January to a claimant count of 5.3 per cent, against 4.6 per cent nent agencies working ness groups to assess the nationally. Manufacturing employers in the region warn there may be more job cuts to come, although there are signs the worst is over. The north west has one the highest concentrations

in the country of higher education and management training establishments which are increasingly building links with business and industry. The region also has strengths in communications and distribution, centred on Manchester Airport and the motorway hubs; retailing, which has seen high levels of investment in



Richard Cabons England's regions can no longer afford to leg behind the best performers

in particular; business and financial services, which have vibrant centres in Manchester, Liverpool and Chester; and tourism; with its coastal resorts and historic

Yet manufacturing remains important to the region, providing jobs and wealth directly and along the supply chain. The region needs to do all it can to retain its big industries such as chemicals, says Mr Clifford. However controversial the region has successfully attracted and retained large employers, such as Ford, with aid from European Union structural funding and other support such as the government's single regeneration budget.

Terry Cook, regional direc tor of the Chambers of Commerce, agrees that the region must focus on its strengths. But lie adds: we are going to move the region forward, we must stop trying to do everything. We should do just the things in which the north west has distinct comparative vantage. In the long run it may be that that is not going to be textiles or even

the automotive sector.' The north west will still have to run if it is catch up with other English regions in terms of skills and output and if it is to compete with Europe's most competitive regions. The creation of the RDA provides a "once in a lifetime" chance to make a change, says Lord Thomas of Macclesfield, former managtive Bank and chairman of the north west RDA.

Nothing much will happen

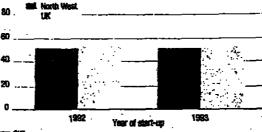
first annual budget is committed to projects already under way. And there are some worries about the time it is taking to get the RDA up and running since work began informally last year.

First, it has to merge parts of English Partnerships and Inward, the regeneration bodies, and the Rural Develupment Commission, and establish good day-to-day working relationships with the government office of the north west. Mike Shields, chief executive of the north west RDA, says the task of

overnight. Most of the RDA's together is critically important if the agency is to operate effectively in future. The north west, one of the

biggest RDA regions, has an annual budget of more than £200m. The hope in the region is that the agency will, at the very least, bring a more coherent vision of its future and a greater focus on its most pressing tasks.

The region's business leaders are counting on the RDA to listen to the business community and to respond to its aspirations and needs. Already, the RDA has begun a series of meetings with getting the RDA's compo- industrial sectors and busi-



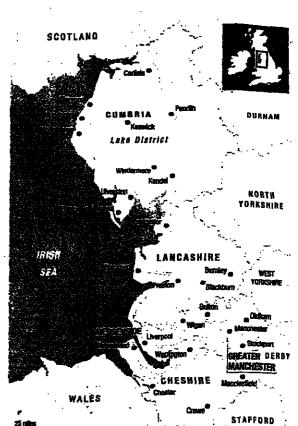
and industry. This is an important strand of its work, says Mr Cook, who believes the agency must understand the make-up of the local econ-omy before it can set strategies. Business itself has to create benchmarking of standards to compare and comnete with other UK regions

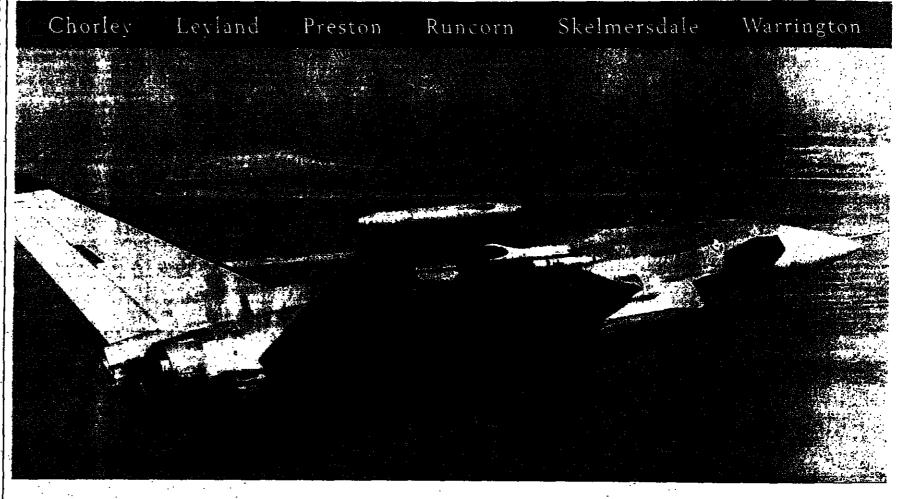
and beyond, he says. Chris Clifford warns that the region has to be realistic in the RDA's early days. "It is not going to make any

established a track record and that will take 12 to 18

months. But he is clear about the priorities: "Rationalising hasiness support services for small and medium-sized companies would be a huge have a plethora of support services for SMEs - 70 in the north west at the last count. They represent the engine of growth in jobs and wealth

The RDA also needs to "beef up" initiatives such as real impact until it has Continued on Page 2





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Locations made for business success

# Ambitious newcomer has fired up the whole sector

The Trafford Centre is encouraging other centres to re-examine their positioning

Nothing fires up the retail sector like the arrival of an ambitious newcomer. When Peel Holdings, the property group, finally won approval for the development of one of the UK's biggest out-oftown shopping centres on the outskirts of Manchester. retailers braced themselves for the onslaught.

High streets across the region would lose business. analysts said. Even in Yorkshire, there was talk that shoppers might be prepared to cross the Pennines to visit the glittering new Trafford Centre, a £600m development with 1m sq ft of retail and leisure space.

The early signs are that the gloomiest predictions may have been overdone. Trade has suffered, particularly in smaller retail centres, but the impact so far has been less than leared in a market that is flat across the UK according to retail-

The Trafford Centre itself. which opened in September. has drawn a less spectacular crowd than expected, according to analysts, although the centre says it is on target for 30m visitors a year.

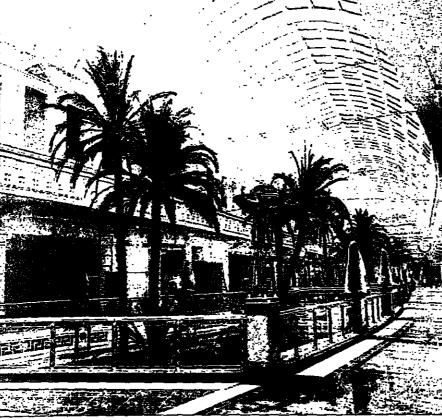
Whether or not the new centre is poaching customers from local high streets, it has at least forced other centres to re-examine their positioning. It has given retailing "a kick up the backside". says Gary Davies, professor of retailing at the Manchester Business School.

The sector had become dull and now you've got towns like Stockport building atriums and all sorts of things, in Manchester, we've now got a Ferris wheel, it has been "far less" than gives the place a bit of a

Shopping can no longer be separated from leisure, says Prof Davies. "You have to one of the strongest retail talk these days about the two combined because these big centres have a neat way of combining shopping with cinemas, ice rinks, restaurants, bars and all of that."

Big city centres are following suit, helped by the enthusiasm of cinema operators, among others, for town January and February comcentre sites. In Manchester. a 20-screen multiplex in the new Printworks retail and of shoppers returning and leisure development in the

"Anything that is going to this year as the rebuilding of get people out of the house instead of sitting at home watching the television is ition. We will have the larggoing to be good for the local est Marks and Spencer store economy," says Prof Davies. in the world, and other In Stockport, the town centre has been blitzed with redeveloped Corn Exchange posters in a £75.000 marketing campaign to counter the Trafford challenge, and enthusiastic about." about £3m is being spent on



The Trafford Centre: 2600m development with 1m sq ft of retail and leisure space

town centre refurbishment this year.

bounce back, he says.

In December, sales were

dropped to 6.5 per cent

"There is a very clear trend

we are confident we will see

a massive swing back later

the city centre [following the

1996 IRA bomb] comes to fru-

developments, such as the

and the Printworks complex.

There is an awful lot to be

doing "no worse or better" than anywhere else in the country, says Layth Bunni, "We have been very prodirector of the Liverpool City active," says Angie Took. town centre manager. Retail-Partnership. "But we cannot ers in Stockport say that be complacent. If you look at sales are holding up well in the way the MetroCentre in the circumstances. In War-Newcastle developed, trade rington, about £5m is being was flat and below target over the first few years, but spent on revamping the then began to build up in the town centre, which was predicted to lose more than 20 third and fourth years." per cent of sales in the first Eddie Cottrell, senior sur-

veyor with DTZ Debenham few years after the Trafford Centre opened. The impact Thorpe, agrees it is early days for the Trafford Centre. expected, says Tony Fitzgerwhich did not get "the huge ald, the town centre manimpact on day one that was expected". Some tenants, such as Selfin Manchester city centre,

ridges, he says, have yet to centres in the region, trade get the measure of the Trafford Centre customer. Mr dropped 15 per cent in Octo-Cottrell also points to the ber on the year before, says slow take-off at other out-of-Gordon McKinnon, city centown centres which are now tre manager. But there are flourishing. already signs of a strong

Nonetheless, he says, some retail centres near the Trafdown by 12 per cent and by ford complex, such as Bolton and Altrincham, are sufferbined, the figure had ing. The impact was anticipaced to go as wide as Wigan, Stockport and Warrington, but it has been quite localised." Smaller centres around the M60, such as Urmston. Swinton and

Eccles, are also suffering. Cities such as Chester and Liverpool have also had to worry about the challenge of the Cheshire Oaks factory outlet in Ellesmere Port on the Wirral.

The 300,000 sq ft outlet is the biggest of its kind in and the story of the Trafford Europe and attracts 4m visi-In Liverpool, traders are tors a year. It sells end-of-

line and surplus stock at discounts of up to 50 per cent in brand name goods such as Levi, Nike and Next.

High street brand names are increasingly shifting stock to factory outlets where they can sometimes get better margins than in their own high street sales. "It helps margins when times are tight," says Richard Doidge, a retail analyst with Colliers Erdman Lewis.

Mr Doidge says local centres have actually benefited from the influx of visitors to Cheshire Oaks. "Factory outlets add to the retail spend because people go to them for a day out instead of going to the beach or a theme park. And while they are in the area, some will spend time in Chester or in the town centre nearby."

Some of the big retailers say there are signs that spending in the north of England is slower than in the south, particularly in areas that have suffered big ern outlets, such as Boots in Manchester and Next in Liverpool, are outperforming many outlets elsewhere in

Eddie Cottrell argues that the north west, more than any other region outside of London and the south-east, has "the strength and depth" to grow.

The region has everything in terms of retailing Centre is not going to be one of doom and gloom."



NORTH WEST ENGLAND 2

PROFILE MIKE SHIELDS

# Regeneration is name of the game

Squeezing life out of urban decay is Mike Shields' stock in trade. Mr Shields, the first chief executive of the north west regional development agency, has his own record to live up to. A recruit from the public sector, he led the revival of Trafford Park, a large and once-thriving industrial estate that had spiralled into decay.

Before then, he helped to promote the regeneration of Manchester's run-down docklands. Both jobs were seen as hard tasks in areas that displayed the worst symptoms of urban and ndustrial decline. Today, ,400 companies employ 46,000 people in Trafford

in docklands, Salford Quays is now seen as a chic place to live and work. But can Mr Shields apply his art to the wider challenge of the north west region?

"I think everything I have done is relevant to this job, he says. "That does not mean I'm expert in everything that needs to be done. I am first to recognise that. But it's almost as if everything has been pointing to this job."

Twelve years ago, when Mr Shields was appointed chief executive of the now-defunct Trafford Park Development Corporation, he said he believed the blight of the industrial park was comparable with problems elsewhere in the region, "The North is littered with obsolescence like we have here, although perhaps on a smaller scale," he said at the time. "If we succeed, then maybe there will be lessons which will be good for the North as a whole."

Mr Shields wants to apply those lessons now. He believes that nothing happens overnight; making the RDA work is a long-term project. "The first thing I want to do is better understand the region. That will be a never ending process," he says. "Some the first priorities for the

together the four organisations that will comprise the RDA: the government office, the Rural Development Commission, and the regeneration agencies inward and English Partnerships. "It is very important to me that I get the organisation properly set up and integrated and that there is one organisation

people out there but which

are very important."

Another lesson from Trafford Park days, says Mr Shields, is the need to build partnerships between the public and private sectors. Critically, Mr Shields believes the RDA has to provide the right policy framework and strategic goals to appeal to private sector investment and employment.

"it's no good, for example, simply exhorting a busine to take on the long-term unemployed unless you create circumstances that ensure they get the right people to run their

The process of regeneration has to be nudged along. "Trickle down is a myth," he says. "It does not happen. You have to make it happen. You have to work to win jobs, especially in high unemployment areas and in the inner cities where it is a real challenge.

Setting out the region's economic strategy will be the RDA's single most significant task, "It is the bedrock of everything we

But he adds: "We are not

going to spend months and months redefining the problems. We will use all the work that has already been done, assessing competitiveness and pointing to the problems: the fact that GDP per head is only 90 per cent of the UK average; the fact that unemployment is higher than elsewhere: that there is

everage and so on. These problems are all documented. What I want to do, having defined all of that clearly, is to concentrate on the causes. There is a danger of treating only the

major social exclusion in

areas: that the growth of

SMEs is below the national

symptoms." Its success depends on ensuring that "all the major players out there buy into that process and feel ownership of the outcome".



Shields: making the RDA work is a long-term project Martin Richett

People have to be brought behind regional objectives. "If we try to do it on our own, then we will not succeed," he says. "There has to be something in it that everybody wants to achieve and objectives that are understood and accepted. There will be arguments and difficult

decisions and the RDA will

have to grasp that." The north west agency will work alongside the other two northern RDAs in the north east and Yorkshire and the Humber in areas such as developing long-term trade

and transport strategies across the north, from Liverpool on the west coast to the Humber ports in the "There is common ground between the northern

regions and we have concluded there is much to be gained by working together. We shouldn't be reinventing the wheel so if we can learn from each other, then great. Why not? If they manage to develop a mechanism for tackling a problem in Leeds then why on earth shouldn't we tap into that?"

womies that the new RDA could become just another layer of government. "We really have to guard against that. But, at the moment, there are four organisations that will become one and that in itself ought to be more efficient." The important thing is to get the policies right and to take the

Mr Shields is conscious of

north west to "the forefront of the new industrial revolution the way we were at the forefront of the first

one". This means building up the "high skills and high knowledge" requirements of new and growing industnes and making the most of the region's academic centres.

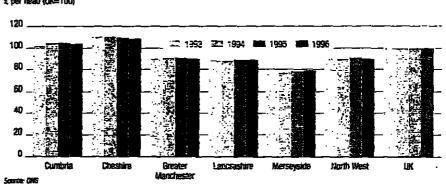
"Higher education is hugely important in the north west. There are 900,000 higher education students in England and 150,000 of those are in the north west. That's a huge resource.

Ultimately. Mr Shields believes the new agency will help to give the north west a voice in Europe, "Most of the European policies in areas such as the economy. social exclusion and so on are regionally based. We have got to have a strong and coherent voice in Europe, not just in the UK. so that the priorities defined in Europe relate to the problems that the north west is facing. A voice in Europe is going to be more and more important."

It is unlikely, however, that the north west will see revolutionary change under Mr Shields' stewardship. It is not his style.

"My attitude in life has always been: get the policy right. Spend the time you need to get it right, then focus on what you need to do to make it happen," he

Sheila Jones



#### and not a collection of four." Time to focus on strengths

#### Continued from Page 1 the government's New Deal employment programme, so that they work effectively

for the unemployed, business and the needs of the wider economy. The success of New Deal in drawing in the socially excluded in areas such as the inner cities will be especially important to the overall health of the region, he says.

Rivalries between cities and sub-regions within the north west are being set aside in pursuit of the region's regeneration goals, according to the RDA's leaders. More important, they say, will be the interregional co-operation that will be needed if the north west is to achieve important strategic goals such as developing the regional transport

Most business leaders in the north west despair about the prospects of an early improvement in the west coast rail route, owned by Virgin Trains, which they blame for their missed appointments in London. But there is optimism and enthusiasm for co-operation with other regions to strengthen road links. The north west is especially eager for a cross-country network linking the busy ports of Liverpool on the west and the Humber on the

All three northern RDAs, the north west, north east and Yorkshire & Humberside, are already pinpointing other strategic areas on which they might co-operate. They are also keen to take a more active regional role in the European Union, where countries such as Germany and France have a more effective regional presence, mainly as a result of their

ILO unemployment rate

Spring 1996

own more regional and federal government structures

Sorma 1995

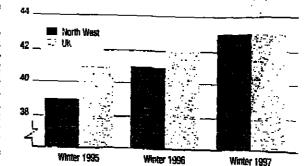
Devolution in England provides precisely the chance for greater involvement in setting regional strategies within the EU. says Mike Shields. The priorities defined in Europe, such as social exclusion and regeneration, relate directly to the problems the north west is facing, he says, and a place at the European table "is going to be more and more important.

The RDA will be judged a success if it provides the region with leadership and

demonstrates it is not just another layer of government, says David Taylor, chief executive of Enterprise, the regeneration company, and an adviser on the regions to John Prescott, the deputy prime minister.

"It will also need to address the region's biggest problems. There is a tendency to leave them until last but they have to be dealt with first." he says. "The RDA will need to be a businesslike, efficient and focused organisation. If it becomes just another quango, that would be a

NVQ level 3 or equivalent



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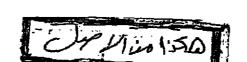
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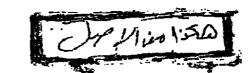
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Merseyside









**CUMBRIA** by Chris Tighe

# Some beautiful, peaceful scenery – and a heritage

Despite heavy job losses, the area still has the highest proportion of people in the north west working in manufacturing

The airport poster north west advertising Cumbria's 17 per cent. attractions for inward inves-Maneunian managing director Gerry Mills as he flew home from a skiing holiday in the Alps last winter.

THE REAL PROPERTY.

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**東海 (中華代語 ヤルディー)** 

§ 44 . . . .

immediately, he rang the ment Agency to discuss his business expansion plans, "I Switzerland," he told the

In this instance, England's Switzerland turned out to be a defunct from works site. most recently used for "dolly blue" washing aid manufacture, at Backbarrow, between Kendal and Barrowin-Furness.

The proposal by Manchester-based Ultratools for a new 100-job plant making machine tools has raised planning issues; the Lake District National Park planning committee will determine its outcome pext month.

The project, on a site just within the National Park, domestic product per head epitomises two key aspects of Cumbria: beautiful scenery and an often overlooked industrial heritage which, in decline is particularly due to updated form, is still vitally industrial restructuring in important today.

Despite its scenic reputation, Cumbria, even after heavy job losses in recent Fuels, still has the highest

It is inhabited by fewer occupying 48 per cent of the region's land area.

While keen to strengthen on its natural beauty, Cumbria wants to kill the miswant to be in England's conception it is all about sheep, lakes and fells. Jack Stopforth, Cumbria Inward Investment Agency chief executive, points out that the county has leading industrial employers such as Glaxo Wellcome, United Biscuits. Kimberley Clark, Pirelli, Northern Foods and Nestlé, as well as VSEL and

> "We want people to realise this is a lovely place to make profits as well as a lovely place to live and bring up a family," he says.

Despite its diversity, Cumbria's economy has suffered a period of relative decline since the late 1980s; its gross has fallen from 120 per cent of the national average in 1987 to 104.4 per cent. This the west of the county and in the Furness peninsula.

Cumbrian unemployment rates highlight the great conyears at submarine maker trasts within its economic VSEL and British Nuclear and social structure. While Keswick and Penrith have proportion of its people of unemployment rates of 2 per ing in manufacturing - more Whitehaven and Barrow, at than 24 per cent against a more than 7 per cent, are

poster north west average of about well above the national aver-houses a postgraduate

in 1998, for the first time tors struck a chord with than 500,000 people - 7 per this decade, the county's offering practical and financent of the population of average unemployment rate cial support for potential north west England - but over the year was slightly above the national average. And West Cumbria faces more upheaval. There is, for on site, employing 500, and Cumbrian Inward Invest- its economy by capitalising example, uncertainty over German nuclear fuel repro- jobs cessing contracts for Sellafield and over the future of whether Cumbria should Albright & Wilson, a big ally itself with north east or Whitehaven employer.

Cumbria is fighting to retain assisted area status for the West and Furness, currently designated as Intermediate Areas. Retention of European structural funds support post-1999 is has been made, so the also a key concern for these areas and for the Cumbrian

"Economically, the prospects are mixed," says David sive voice, has already Cole, the county council's begun operating. Of 13 north director of economy and west RDA board members. environment. "There are two are from Cumbria. strenuous efforts to grow the economy of Cumbria, but it the best deal we could there are clearly problems in the farming sector."

The county's economic bly chairman and the leader strategy is to build on opportunities for growth, especially in high value-added manufacturing, in innovation and in leading edge technology, as well as in the service sector, including tourism.

A prime example of diversification is Westlakes Science Park near Whitehaven. Part-funded by BNFL, Wesany north west county work- cent or less. Workington, tlakes is so far a £20m devel- ner of the north west or the opment and £10m of further investment is planned. It

research institute, a scien

tific consultancy, a company

new technology start-ups

and business premises. It

currently has 30 companies

aims to foster another 1,000

After years of debate over

north west England, the gov-

ernment ruled it should join

While some in Cumbria

were disappointed, there is

also some relief a decision

county can focus on raising

intended to give it a cohe

Its sub-regional assembly,

"I think we have got out of

have expected," says Bill

Minto, sub-regional assem-

of Cumbria county council.

For the arts. Cumbria

remains allied with the

north east, and in inward

investment it has chosen to

be represented in South-East

Asia by the Newcastle-based

Northern Development Com-

pany, soon to be subsumed

Cumbria, insists Mr Stop

forth, is not a far-flung cor-

north east. "We are at the beart of porthern Britain."

into the north east RDA.

the north west Regional

Development Agency.

its profile.

"The decision cleared a lot of people's minds," says David Cam, director of Blackpool Pleasure Beach. "It woke people up to the ract that what Labour was saying was that Blackpool, trankly, is not good enough

The UK's seaside towns

Regeneration efforts in recent years have sought to diversify the economy and to create jobs in a town that has sharply fluctuating employment patterns and relatively high unemployment.

out regeneration work, but we had not directed our efforts specifically at tourism," says Graham Essex-Crosby, the council's chief executive. "But this is our main industry. It is why people come to Blackpool. There has now been a

coming together of like minds saying we need to devote resources to it." The industry accounts for



**PROFILE** 

## Making gains from Labour's cold shoulder

When the Labour party decided against Blackpool for its party conference in the millennium year, the town accused the party of turning its back on the UK's favounte saaside resort.

Blackpool had long been a traditional Labour venue and the party says it may return. But in snubbing Blackpool it may have done the resort a tavour.

for us and we don't intend to come back until it is."

nave declined in recent have changed and domestic competition has grown, with niche operators taking an increasing share of an expanding leisure market. Blackpool is still the world's most successful coastal resort, says Mr Cam, but it

is hindered by "a very old infrastructure".

"We have been carrying

more than 75 per cent of town. About 17m tourists visit Blackoool every year. spending more than £500m but the numbers have failed to keep pace with the general increase in leisure spending in the UK. The

town is conscious of two main weaknesses: its business is highly seasonal, and too few of the town's traditional attractions have invested sufficiently to meet today's demand for high quality services.

While companies such as Pleasure Beach have invested heavily in new rides and better facilities, many of the old bed and breakfast establishments fall below the standards now demanded by tourists. And facilities uch as the famous Winter Gardens conference centre have failed to keep up with

rising standards in their

market.

A new regeneration strategy, published last month, has emerged from the debate over where the town is going. It acknowledges that the resort has to improve its facilities and infrastructure if it is to survive. It also draws together the efforts and aspirations of all participants in the town's development through the Blackpool Challenge Partnership.

businesses, the voluntary sector and the town's retailers and leisure operators have all signed up to a strategy that puts tourism at its centre and that seeks to market a resort that is open for business all year round. It is a joint effort that means individual operators will combine forces to market the resort. "We are clearly in

The council, local

bought the Winter Gardens

and Blackpool Tower from

understand that is about

Once they are here, of

course we are keen to get

them to our own venues."

home last year when

The town's exposure to

seasonal trade was brought

appalling summer weather

about 20 per cent. Other

partnership's efforts extra

factors have given the

impetus. The change in

ownership of the Winter

Gardens and the Tower

new ideas.

brings with it a promise of

substantial investment and

A further drive for change

came last month when the

government urged Britain's

coastal resorts to shape up

the government says mirrors

and supports what we are

government's view of the

Blackpool's efforts to win

UK and European Union

regeneration funding, The

town is bidding for £25m

single regeneration budget

development programme. It

for a five- to seven-year

advantage of a change in

also hopes to take

from the government's

esorts will lend weight to

all about," says Mr

Essex-Crosby.

He hopes the

for the millennium. "What

saw visitor figures plunge by

rationale that we all

First Leisure. "But there is a

getting people to Blackpool.

EU rules that, for the first competition with each time, recognise tourism as other," says Marc Etches, managing director of Leisure Parcs, which last year an industry that may qualify

fundina.

"The door has been opened and we need to get Blackpool through that door, says Mr Fssex-Crosby.

for Objective 2 regeneration

David Cam argues that the importance to the economy of resorts such as Blackpool is still not fully recognised. "It has been described as a Candy Floss economy, as if in some way it is a pretend

industry," he adds.
"If it isn't steel, it is somehow not real. Yet, tourism is one of the UK's few growth industries. It is

worth £53bn a year." Blackpool acknowledges that its market has changed since its heyday. The resort will continue to focus on its core market of family visitors, but it will also target niche markets and the growing demand for conference facilities. short-stav visits and packaged deals.

Marc Etches says he believes there is a resort to improve facilities and to be innovative in its mix of shows, attractions and services, but he believes the brash product that is at the heart of Blackpool is not about to change.

"The future of Blackpool is in doing what it does, but it needs to do it better.

Sheila Jones



# A leader among the dyeing pack

Five years ago, Crimble Mill be on its last legs. Sharply declining orders threatened the survival of a small textiles business that had been around since the early days of the industrial

revolution. Roe Acre, the company that owns Crimble Mill, was not alone. Textiles producers have battled for decades against competition from cheap imports and from an increasingly advanced industry in the developing

The latest squeeze on manufacturers, felt acutely in the textiles industry, has brought thousands of job cuts and narrowing profit

But Roe Acre believes it is well-placed to survive the downturn. It will do so by investing in staff and new technology and concentrating on a niche sector, dyeing and finishing, says David Procter, the chief

Roe Acre's owners Maurice and Joe Menaged, brothers in their 80s, brought in Mr Procter in 1994 to turn the company around. It had already survived a severe shake-out of the industry in the early 1970s, but the business had lost direction.

The company was not in good shape," says Mr Procter, who had worked in manufacturing and in the venture capital industry, and had experience in both sing and running hard-pressed businesses.

Too little investment, overexposure to a small number of large customers and a lack of focus had undermined quality and sales. "I went to some of the old customers and it was quite a horrifying story. They

with quality and with customer service." A further problem was that the market Roe Acre was

aiming for was too small to support the capacity of the site. But it was "definitely saveable", says Mr Procter. His immediate task was to raise funds to pay creditors. working for the company, including weaving sheds and other units that were either standing idle or not making a profit. Some units were brought back into

production. "We recovered quite a considerable amount of money to satisfy the banks and to invest in dyeing and finishing, which was supportable because it was so close to its customer on

About 200 staff left the company with the sale of the weaving unit, and employment in the core business was trimmed from 106 to 97. Employment today stands at 115 and the

company hopes to expand. About 23m has been invested in the past four years. New equipment includes a computerised colour and chemicals dispensing unit, which helps to ensure colour quality and continuity. Fabric drying ovens have been upgraded

and new high-pressure jet dyeing equipment installed. About £80,000 has also been spent on environmental upgrading. In some cases, the company has held costs down by buying and adapting second-hand

machinery. "We have also invested in people," says Mr Procter, who has brought in senior staff from elsewhere in the industry.

A quality control specialist



laboratory at the plant which breakthrough in has been accredited by two of the factory's end-users,

clothing retai Sales have jumped by 75 per cent in the past four years and the company is now profitable, says Mr Procter. Turnover last year was £5.5m with capacity up from 270,000m to 460,000M a week, including polyviscose fabrics. household textiles and

Arcadia and Next, the

fashion fabrics. Roe Acre buys giant rolls of raw fabric, mainly from Asia, Africa and Europe, and produce clean, dyed and finished fabrics for sale to ciothing and household iabric manufacturers in the UK. The strength of sterling

has worked largely in its favour, cutting the cost of its raw materials. The investment in new technology has given the company the flexibility to respond to the increasing demand for new fabric blends and finishes. particularly in the

ver-changing tashlon industry, says Mr Procter. It is also capable of swift changes in fabric widths and to ensure they are not overstocked.

The company now describes itself as an innovator and market leader rather than a follower in textiles technology, it has developed several new finishes, including a recent

viscose Lycra, and it is capable of processing more than 120 different blends of fabric. Levels of quality, flexibility and fabric variety are equalled only in Asia,

new-found stability, Mr Procter warns that expansion plans and the company's ability to compete with other European producers depend, in part, on its ability to secure government

Desolte the company's

savs Mr Procter.

support.
"I need to invest about £650,000 in the next 12 months to upgrade the site and take on 27 staff. To fund it myself would be extremely difficult when I am up against French and Italian producers which get much more support than we do."

Roe Acre is profitable, he says, "but not as much as it could be". Mr Procter has joined trade union lobbies of parliament to make the case for the British textiles sector, which unions say will lose 70,000 jobs in the next six

your own two feet and that's fine," he says. "But we do not get the grants and low interest rates that our European competitors enjoy. "People need the right equipment to give high productivity. We are allowing

"You have to stand on

the industry to drift away."

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**PROFILE** 

# Chester gets the full credit from its star tenant

The US credit card company has acquired more than 2m UK customers and has cornered 10 per cent of the UK market

When MBNA, the US credit card issuer, picked Chester promised 800 jobs within five years if the project went according to plan. The £43m investment, with £7m in government support, was coup for Chester and MBNA was a star tenant for its picturesque new business park on the outskirts of the

MBNA, a dominant operator in the US, wanted a share of the large and growing UK credit card market and it led the charge of the American banks into

The company's aggressive marketing and its focus on affinity cards (which affiliate to groups such as charities) has helped it to nibble away at its British competitors, such as Barclaycard.

Today, MBNA, which is based in Wilmington. Delaware, is one of Chester's biggest employers with 1,700 staff, most of them full time. In less than six years, it has become one of the UK's biggest credit card lenders, grabbing 10 per cent of a \$45bn market and more than 2m customers

Its growth has helped to fuel the increasing importance to the north west of the services sector. particularly in the customer service and call centre operations of the financial services industry. Marks and Spencer Financial Services. also located in Chester,

employs about 1,500. MBNA says it picked the north west of England partly because of the high

concentration of universities in the region. Graduates account for 36 per cent of MBNA's staff, a high proportion compared with many other call centre operations.

The company says this reflects the quality of employment at the Chester base and their need for highly qualified staff. "These are not jobs where everybody just sits on the phones all day," says William Daiger, chairman of MBNA International. "We like to start people in telemarketing and customer satisfaction but it is normal to be in any one of four people from being on the

phones to managing a

per cent."

section and we are able to

keep staff turnover below 8

Mr Daiger relocated to Chester along with a handful of US managers. The company was warned it was a tough market to break into, but its staff has settled in to Chester with as much ease, apparently, as it has built market share. "The only hurdle for me was the one every American faces: driving on the other side of the road and not liking roundabouts," says Mr Daiger. "We walked everywhere for the first few

The company did not need to be in London, he says. "Wilmington in Delaware is not as big as London or Birmingham, so we are comfortable in a city the size of Chester." The environment is appealing too, he says. "We have



access to the mountains of Wales, to the Lake District and the Peaks, so we can do all the things we like to do, like golf and hiking. London is just a few hours away and we get over to Manchester from time to time, and to Liverpool for Since arriving in Chester,

MBNA has outgrown its 50,000 sq ft of custom-built headouarters. It has extended its own offices and spilled over into another building nearby. Growth has been especially strong in its affinity card market, where customers affiliate to a particular organisation. Royalties are paid to organisations, such as charities and sports clubs, for each new customer, and the club logo goes on to the card. The company won 100

new affinity signings in the UK last year. In the sports sector alone, it has 650 affiliations globally, including teams in US Major League Baseball and the National Football League. In the UK, it has already signed up 10 premier league football eams, including Manchester United, Liverpool and

Tottenham Hotspur. successful for us in the US with basketball, baseball and ice hockey and we are transplanting the idea here, says Mr Daiger. "It is growing very quickly." The company says that loan losses are significantly lower in the affinity market than in the rest of the loans industry. And it finds sports fans "extremely loyal" customers. "They are people who are proud of their team

and they like to carry a card with the team's symbol on it." MBNA has also signed up all of Oxford University's colleges and it has won affiliations from charities including the Worldwide Fund for Nature. For the city of Chester. MBNA's continuing growth

bodes well for future employment prospects. The company believes there is scope for further expansion in the UK and it is eager to build its share. "I think we have a way of

doing business. And there's a continuing upside in our

Sheila Jones

INNER CITIES by Alan Pike

# Liverpool, Manchester pilot new deal for regeneration

An £800m initiative is aimed at increasing job prospects and lifting the standards of education and health as much as renewing poor housing including involvement in

Manchester and Liverpool will be among the first places to pilot New Deal for Communities, an initiative of the government's social exclusion unit which aims to rewrite the rules of urban regeneration

New Deal is intended to bring together local people, community organisations and the public and private sectors in the "intensive regeneration of small neigh-bourhoods". Unlike many previous schemes, it will focus as much on job prospects, crime, educational standards and health as the physical renewal of sub-standard housing.

And, again in contrast to revious schemes, it will be long-term rather than quick fix. Although New Deal will be confined to neighbourhoods of a few thousand people, a timescale of at least 10 years' activity is envisaged.

The government has allocated £800m over three years to launch the pilot projects for this "showcase for state of the art intensive regeneration". Manchester's bid was approved by the government last month, while Livercool has a further two months in which to complete its pro-

Manchester's scheme, in Beswick and Openshaw, forms part of a wider regeneration strategy for the east of the city. The former Trafford Park urban development corporation stimulated centre, while expansion of Manchester airport has supported investment in the

The city council hopes the staging of the 2002 Commonwealth Games, with a new 50,000-seater stadium and sports complex in east Manchester, will be a similar spur to permanent regenera-

Covering a community of 1.772 households, the pearance of local services. Beswick and Openshaw New

closed. leaving high num-

bers of vacant and quickly

derelict properties and there

Crime, training and

employment, the property

market and young people's

concerns are issues that the

Liverpool scheme will

address as first priorities.

where large employers

include Marconi Communi-

a good chance of employ-

can be raised.

societies and other services.

Deal scheme will overlap decline," it says. "Tradiwith a number of other already established or planned for the area.

A Single Regeneration Budget scheme, managed jointly by Manchester and Tameside councils, is seeking ways of linking local people with existing jobs and new ones that the Commonwealth Games will offer. Plans are being completed for an Education Action Zone bid to raise attainment levels, and Manchester also forms part of a health action 20ne - premature death rates in Beswick are 50 per cent above the national average.

Liverpool's proposed New Deal scheme is in Kensington, the city's second most deprived community, which contains 4.250 households. A single grim statistic testifies regeneration west of the city to its high crime rate - there were four murders in the area within 12 months - and. in common with other New Deal pilot areas, it suffers poor quality housing, high unemployment and low education attainment.

Liverpool city council's New Deal bid describes another problem that is common to many of the inner city areas on which the New Deal will focus: the disap-"The shopping area is in regeneration programmes.

one of 11 local schemes in Liverpool that are being funded under the EU's Objective 1 programme for areas of multiple depriva-Prior public experience of

so many schemes can be a disadvantage when new ones are started. The city's bid document acknowledges that low expectation and doubts over whether New Deal for Communities "will be different and will deliver" are barriers that have to be broken

Evidence that barriers can be broken down is provided by the experience of one of the north west's flagship regeneration projects, the renewal of Hulme in Manchester.

Hulme, primarily a building scheme involving the is a lack of banks, building demolition of nearly 3.000 unsuccessful deck-access flats, was different in scale and purpose to New Deal. But its success was equally dependent on the partnership working and community involvement that New Kensington is close to Wav-Deal will test to the full. ertree technology park

In "Trick or Treat", an ect. Rob Ramwell and Hilary cations. Sony and Barclays Bank, and Liverpool city Saltburn conclude that, in spite of many difficulties, its centre. This offers residents partnerships were "clearly a ment opportunities close to lot less imperfect than others" and contributed to the their homes if skill levels achievement of objectives. The government wants

New Deal projects to be managed in a collaborative way, a requirement that will be met in Liverpool through a "partnership of partner-A new charitable company would be formed to deliver the scheme with representatives from local organisations and Liverpool Partnership Group, which links the city's leading public and volnewspapers can be delivered. untary sector organisations. All these may be taken for granted elsewhere, but for Kensington, like Beswick in Manchester, already has most Hulme residents they considerable experience of were not even a distant

A description by Ramwell and Saltburn of present-day Hulme also provides what might be regarded as the ultimate goal for New Deal. "Hulme has in many respects become normal. Children and cats can now be seen on the streets instead of packs of stray dogs. Ice cream vans ply their trade and, for the first time in years, milk and

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